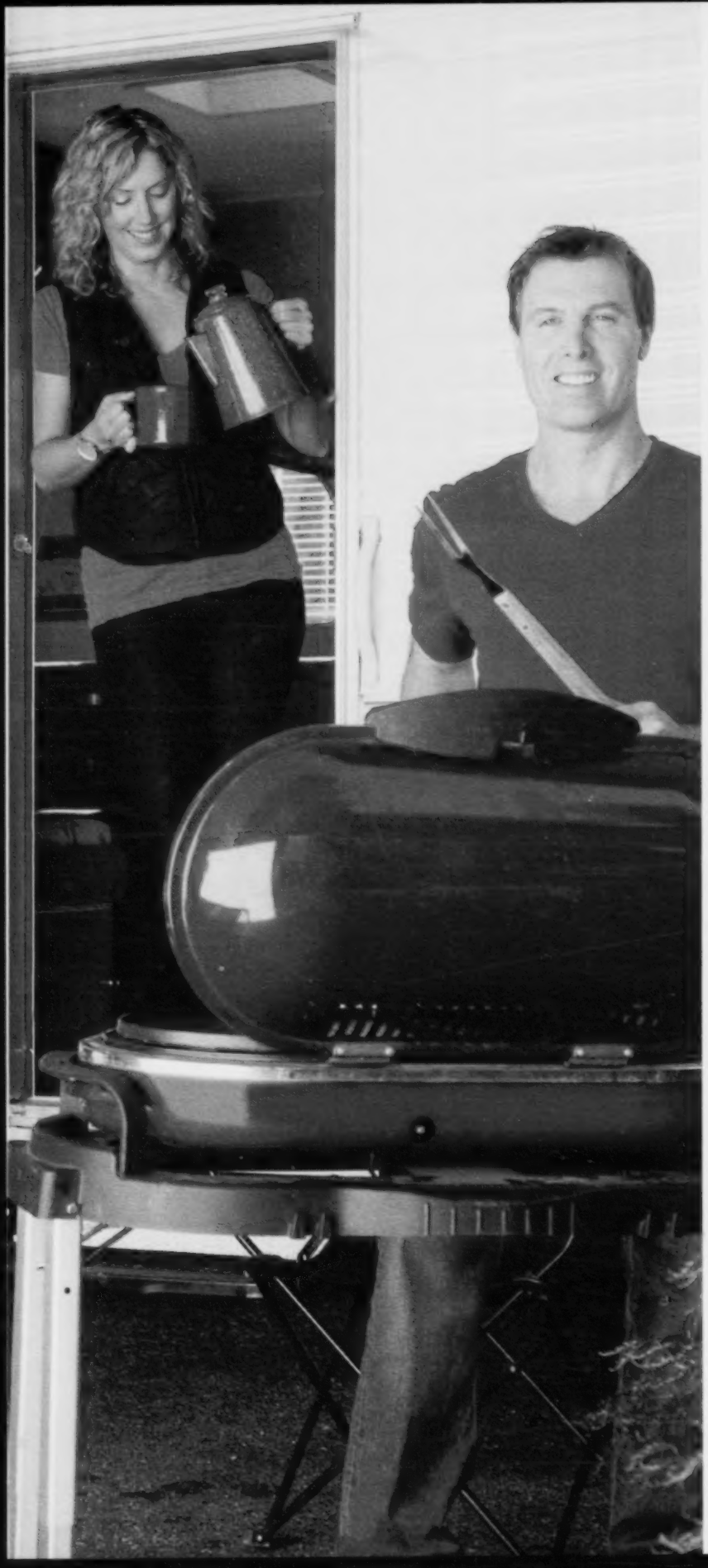

2010 annual report

ICBC

building trust. driving confidence.

profile

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation that provides universal compulsory auto insurance (Basic insurance) to drivers in British Columbia (BC), with rates regulated by the British Columbia Utilities Commission (BCUC). ICBC also sells Optional auto insurance in a competitive marketplace.

Our insurance products are available across BC through a network of independent brokers and claims services are provided at ICBC claims handling facilities located throughout the province. We also invest in road safety and loss management programs to reduce traffic-related deaths, injuries and crashes, auto crime, and fraud. In addition, we provide driver licensing, vehicle registration and licensing services, and fines collection on behalf of the provincial government at locations across the province.

vision

ICBC will be BC's preferred auto insurer, providing protection and peace of mind.

mission

We deliver quality auto insurance products and services at competitive prices through a knowledgeable team committed to our customers.

values

In providing products and services, the following values guide our behaviour and decisions:

integrity — Our business is based on trust. We are honest, ethical, straightforward, and fair.

dedication to customers — We exist to serve our customers. We listen actively and are responsive to their needs.

accountability — We hold ourselves, and each other, accountable for our actions and the success of our business.

caring — We care about our customers' well-being and ensure they feel supported by treating them with dignity and respect. We care about each other's well-being and create an environment that promotes personal growth. We care about our communities by supporting road safety programs and being environmentally responsible.

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Jenna Freeman, customer

Working with our customers

Focus groups are a great way for us to understand how our customers feel about certain decisions. So that's why the opinions of the participants, like Jenna Freeman, are so important to us.

"I didn't even know that ICBC did focus groups. So I thought it was pretty cool that I was contacted and asked to voice my opinion. And I thought it was great that they actually care about their customers' opinions and would give us all an opportunity to be a part of a decision-making process," says Jenna.

The focus group Jenna participated in asked questions mostly about our customers' communications preferences. In 2010, we did over 100 focus groups with ICBC customers on a wide range of topics, from pricing to claims services to recognizing smart drivers.

We also started our online panel — Shifting Gears — which facilitates regular, two-way conversation between ICBC and thousands of BC drivers. For example, our Shifting Gears members told us what insurance-related topics they're most interested in learning about. This information provided input into the Demystifying Insurance Campaign with Vicki Gabereau, and helped the campaign to focus on the important issues to our customers.

We do research with our customers because it is a top priority for ICBC to improve our customers' experiences. In order to achieve this objective, we must listen to our customers, and focus groups and surveys help us gain a better understanding of what is important to our customers and how they want to be served.

letter of transmittal and accountability statement

Minister of Public Safety and Solicitor General
Minister Responsible for the Insurance Corporation of British Columbia

Dear Minister:

The 2010 Annual Report of the Insurance Corporation of British Columbia (ICBC) was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

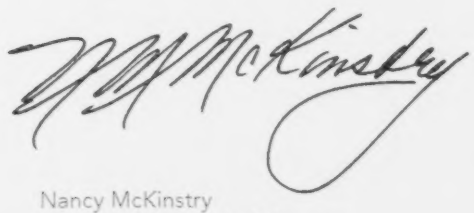
The information presented reflects the actual performance of ICBC for the 12 months ended December 31, 2010 in relation to the 2010 Service Plan. The measures presented are consistent with ICBC's mandate and corporate strategy, and focus on aspects critical to the organization's performance.

As the Chair of ICBC's Board of Directors, I am responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of December 31, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, the goal, objectives, strategies, measures or targets made since the 2010 Service Plan was released and any significant limitations in the reliability of data are identified in the report.

On behalf of the Board of Directors and all ICBC employees, it is my pleasure to submit ICBC's Annual Report for the year ended December 31, 2010.

Sincerely,



Nancy McKinstry
Chair of the Board of Directors

key financial and operating comparatives

five year comparison for the years ended December 31	2010	2009	2008	2007	2006
For the year ($000):					
Premiums earned	3,667,324	3,650,025	3,631,215	3,482,434	3,256,856
Service fees	54,628	58,807	69,174	65,949	47,154
Claims incurred during the year	2,754,077	2,648,193	2,646,191	2,646,360	2,544,396
Prior years' claims adjustments[1]	(2,039)	2,355	(136,447)	(33,779)	99,043
Claims services, road safety and insurance operating costs	494,408	488,735	457,726	450,787	433,830
Transformation Program expenses	34,775	–	–	–	–
Insurance premium taxes and commissions	446,015	432,017	429,011	407,022	379,682
Deferred premium acquisition cost adjustments[1]	31,180	2,807	(16,922)	(26,543)	(87,511)
Non-insurance expenses	108,094	104,258	103,840	92,935	96,819
Investment income	506,051	532,477	280,449	611,600	512,349
Net income	361,493	562,944	497,439	642,318	350,100
At year end ($000):					
Cash and investments	11,593,565	11,129,061	10,056,546	9,641,452	8,470,584
Total assets	13,142,157	12,643,599	11,476,492	10,991,685	9,738,492
Equity:					
– Retained earnings	3,000,436	3,214,655	2,651,711	2,154,272	1,507,248
– Accumulated other comprehensive income	492,865	402,160	99,671	278,975	–
Total equity	3,493,301	3,616,815	2,751,382	2,433,247	1,507,248
Autoplan policies earned[2]	3,281,000	3,225,000	3,193,000	3,108,000	3,012,000
Average premium ($)[3]	1,092	1,100	1,108	1,094	1,051
Claims reported during the year[4]	895,000	946,000	964,000	992,000	947,000
Loss ratio (%)[5]:					
– Current year (%)	83.9	81.3	81.4	84.7	87.4
– Prior years' claims adjustments (%)[1]	(0.1)	0.1	(3.8)	(1.0)	3.0
Loss ratio (%)	83.8	81.4	77.6	83.7	90.4
Expense ratio (%):					
– Insurance expense ratio (%)[6]	16.9	16.4	15.9	16.0	15.7
– Transformation Program expense ratio (%)	0.9	–	–	–	–
– Non-insurance expense ratio (%)	3.0	2.9	2.9	2.6	3.0
Expense ratio (%)	20.8	19.3	18.8	18.6	18.7

[1] *( ) denotes a favourable adjustment, i.e., a reduction in expense.*

[2] *Annualized values have been used for policies with a term of less than 12 months.*

[3] *Average premium is based on premiums earned.*

[4] *Claims reported represent the number of claims reported against purchased insurance coverages.*

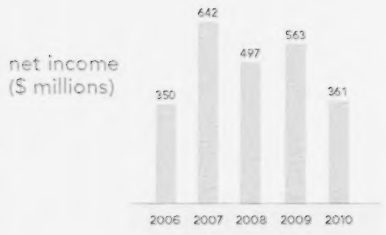
[5] *Loss ratio is based on current year claims and related costs and prior years' claims adjustments as a percentage of premiums earned.*

[6] *Insurance expense ratio is based on insurance operating costs as a percentage of premiums earned (excludes non-insurance costs, deferred premium acquisition (DPAC) costs and other unusual items).*

performance highlights

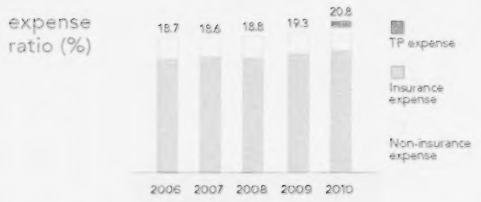
net income

In 2010, ICBC recorded net income of $361 million. Net income contributes to retained earnings which helps protect policyholders against significant unexpected losses and volatile rates.



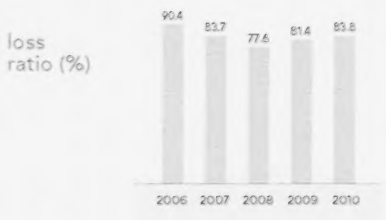
expense ratio

The expense ratio is a standard industry measure for assessing the operational efficiency of an organization. The expense ratio has increased in 2010, partially due to the Transformation Program (TP), however, it is consistently better than the industry. We continue to operate efficiently and manage costs effectively.



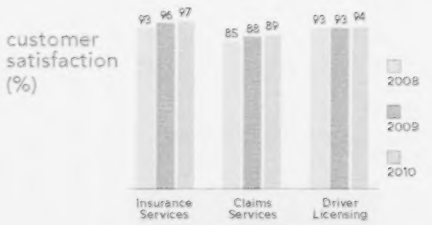
loss ratio

The loss ratio is a key performance indicator within the insurance industry measuring profitability of the insurance product. The 2010 loss ratio is higher than prior year due to increasing average costs and increasing frequency of injury claims.



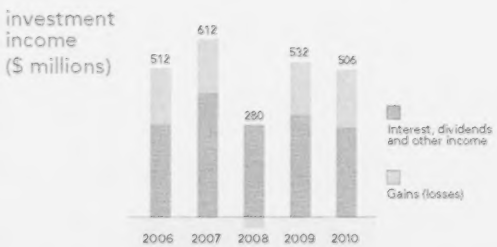
customer satisfaction

In 2010, all of ICBC's customer satisfaction scores increased over 2009. We continue to work on improving customers' perceptions of us and building their trust.



investment income

ICBC's investments generated strong investment returns with income of $506 million in 2010. Income from investments helps to reduce the amount of premiums that would otherwise have to be paid by customers.



message from the chair and the president

We started 2010 focused on our corporate strategy and its objectives of improving customer perception and employee experience while maintaining financial stability. We're pleased to say we made significant progress on all three objectives. Our Transformation Program initiatives achieved several major milestones en route to making our systems and processes more responsive to customer needs. At the same time, our financial performance remained strong, allowing us to reduce our rates for both Basic and Optional coverage. For this, we want to thank our customers for their smart driving decisions, helping to keep crashes down.

We made considerable steps in improving the customer experience in 2010. We know that English is not the first language of all of our customers, so we launched our Claims Translation Service offering 170 languages, which is available in all ICBC claims offices and our call centre to ensure our diverse customers have a positive and comfortable claims experience. Our website now also features some basic driver licensing, insurance, and claims information in both Chinese and Punjabi. We launched a new application called Rate Quote, which allows brokers to spend more time focused on customer service. For customers shopping for a used vehicle, we launched an enhanced version of our Vehicle Claims History report that will provide even better purchase protection for our customers.

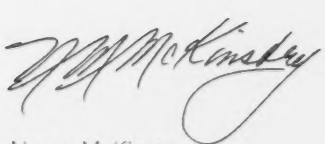
To be successful in improving customers' experiences, our staff must be empowered, engaged and accountable for the actions they take. We're pleased that our employee engagement score increased six per cent in 2010. We took steps to improve how we support and encourage each other with the new DRIVE Council — a team of employees, nominated by their peers, who will help enhance our employee recognition practices. We extended Customer Experience Learning to all front-line employees to help us become a more customer-centric company. Through Customer Experience Learning, we're providing employees with knowledge and tools that help them deliver service in a way that meets individual customers' needs and expectations. It was also in large part because of our employees that we were able to provide excellent customer service during the Vancouver 2010 Olympic and Paralympic Winter Games, in which ICBC was an official supporter.

Our strong financial performance over the last several years has allowed us to provide greater value to our customers by keeping rates low and stable. In 2010, Basic rates were decreased by 2.4% and Optional insurance rates were, on average, reduced by three per cent. To maintain financial stability we will continue to have a conservative investment philosophy and manage operating costs prudently. The most significant cost pressure to our business is bodily injury claims costs. We will work to manage this pressure by streamlining claims handling and investing in road safety enhancements. We are also working towards implementing improved pricing that is more reflective of driver risk, which supports the concept of increased driver accountability, where drivers can have a greater influence on their premiums by their driving behaviour on the road.

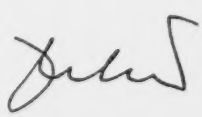
The main driver of achieving our corporate objectives is the Transformation Program, which is ultimately about building the new ICBC. Once complete, we will be more responsive to our customers and their needs. It will streamline and modernize our business processes and systems and give us customer-centric pricing, products, and services. We are focusing on four areas: our relationships with our customers, insurance pricing, claims, and technologies. By working on our relationships with our customers, we're creating a customer-centric business model that will influence all of ICBC's business changes going forward, including developing targeted services for customers with similar needs and behaviours. We know we need to make our insurance pricing more reflective of driver risk, which will benefit lower-risk drivers, and implement new insurance sales technology, so we're working on a new pricing model. In addition to buying our new integrated claims system, we've streamlined many of our claims processes. We're also implementing technology across the company that will be a common foundation for our business areas, plus new work tools for our employees and business partners.

Looking forward, our outlook remains optimistic. We will strengthen our relationships with customers and our partners and suppliers and will continue to invest in initiatives to improve road safety. We continue to make much-needed investments in our aging customer service systems, and through underwriting and pricing improvements, we continue to move towards driver-based pricing where premium rates will be more reflective of driver risk. As our current financial position is strong, the changes being implemented will be made with minimal impact on rates over time.

These achievements came about thanks to a lot of effort and teamwork, involving virtually every ICBC employee, our brokers, and business partners. We are grateful for their continuing efforts to make ICBC a stronger, more successful company. The coming year is sure to have its share of challenges, and we're confident we will meet them by continuing to work together.



Nancy McKinstry
Chair of the Board of Directors



Jon Schubert, CMA
President and Chief Executive Officer

Alex Vasiljević, chief youth worker,
Ray-Cam Co-Operative Community Centre

Working with our Road Safety partners

Alex Vasiljević knows the importance of positive partnerships. As the lead youth worker for the NASKARZ — Never Again Steal KARZ (Cars) — program, he's worked tirelessly to ensure at-risk youth have a fighting chance.

"We're all responsible for the development of our young people — and not just the ones who are in trouble or stealing cars. If we develop kids as a community, it will result in social inclusion and a reduction of car theft," says Alex.

Alex's passion led him to write ICBC in 2004, as he was concerned about the carnage in East Vancouver related to auto theft. He proposed that ICBC work with Ray-Cam Co-operative Community Centre to develop a program to divert kids in their community away from vehicle crime. It led to the creation of the NASKARZ program, where participants learn basic automotive skills and work towards re-building cars.

The program is a partnership between the Ray-Cam Centre, Vancouver Police Department, Vancouver Community College, and ICBC and is aimed at the youth of the Vancouver Downtown Eastside, Strathcona and Grandview Woodlands areas, some of whom have been involved in joy riding and auto theft.

ICBC helps build better communities by funding several programs. This includes our Road Safety Speaker program for grades 11 and 12 students, and road safety curriculum material for kindergarten to grade 10 students. We also work in partnership with the BCAA Traffic Safety Foundation to fund child passenger safety clinics and provide funding for other local partnerships like speed readerboards.

corporate overview

ICBC was established as a provincial Crown corporation in 1973 and, at that time, was the sole provider of auto insurance in BC. Soon afterwards, legislation was amended to allow other insurance companies to sell Optional auto insurance products. Today, we are the sole provider of Basic (universal compulsory) auto insurance, the rates for which are regulated by the BCUC, and we sell Optional auto insurance products in a competitive marketplace.

In addition to our insurance products and services, we also provide a number of services on behalf of the provincial government, including vehicle registration and licensing, driver licensing and fines collection. We refer to these as our non-insurance services.

In providing our products and services, we operate as an integrated company for the benefit of our customers. We are one of BC's largest corporations and one of Canada's largest property and casualty (P&C) insurers. Our insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. We process almost 900,000 claims each year through our 24-hour, seven-days-a-week telephone claims handling facility, 38 claim centres and other claims handling facilities across the province, including Express Glass and Repair facilities, and icbc.com. We also provide driver licensing services through 120 points of service, including driver licensing centres, government agents and appointed agents throughout BC. Our head office is located in North Vancouver, BC.

In delivering our products and services, we partner with businesses and organizations in communities throughout BC. Autoplan brokers are key business partners for ICBC, distributing our insurance products and providing other services such as vehicle registration and licensing. We deliver our services in partnership with a broad base of suppliers in the automotive industry and liaison groups such as the Automotive Retailers Association. Law enforcement agencies, health services providers, lawyers, and public and community organizations are among our other key partners.

insurance products and services

Similar to other vehicle owners across Canada, motorists in BC are required by law to purchase a minimum level of Basic auto insurance. This provides private passenger and certain commercial vehicle owners with $200,000 in third-party liability protection, $150,000 for medical and rehabilitation costs, and $1 million of underinsured motorist protection. British Columbia's coverage is among the most comprehensive in the country. Buses, taxis, limousines, and inter-provincial trucking and transport vehicles have higher mandatory levels. In addition to providing Basic auto insurance, we also offer various Optional auto insurance coverages, including extended third-party liability, collision, comprehensive, and vehicle storage. The table on the next page illustrates the full spectrum of our Basic and Optional insurance products.

Auto insurance in BC is based on a full tort system, which means that an at-fault driver or vehicle owner may be taken to court for the full amount of damages. In addition, an injured party has access to accident benefits coverage regardless of fault. This coverage includes medical and rehabilitation expenses and up to $300 per week for wage loss. In other provinces in Canada, auto insurance may be based on tort with caps, no-fault or a mixed no-fault and tort system, which means that compensation may be based on predetermined benefit schedules regardless of fault, thresholds and/or caps or deductibles on pain and suffering awards, and little or no ability to sue for further damages. These differences and different driving conditions and traffic density make inter-provincial comparisons difficult since the products, services and cost structures of each are unique.

icbc's basic and optional insurance products

basic coverage

The minimum insurance protection any vehicle must carry to legally operate in BC:

- Third-Party Liability
- Accident Benefits
- Underinsured Motorist Protection
- Protection Against Hit-and-Run* and Uninsured Motorists
- Inverse Liability Coverage

optional coverage

Additional protection to meet customer needs:

Vehicle

- Collision
- Comprehensive
- Specified Perils
- Vehicle in Storage
- New Vehicle Replacement Plus
- Limited Depreciation Coverage
- Replacement Cost Coverage
- Collector and Vintage Vehicles

Equipment

- Motor Vehicle Equipment
- Excess Special Equipment
- Motor Home Contents

Individual and Family

- Extended Third-Party Liability
- Excess Underinsured Motorist Protection
- Income Replacement Policy Including Death Benefits
- Loss of Use
- Vehicle Travel Protection
- RoadStar/Roadside Plus

** Hit-and-Run payments for property damage are provided if not recoverable from any other source.*

We invest in road safety programs that provide a direct benefit to our customers by helping to reduce traffic-related deaths, injuries and crashes. By doing so, we help to reduce the impact of auto crashes for everyone in BC. Fewer crashes also help control claims costs, which ultimately help keep auto insurance rates low and stable. Our road safety strategy focuses on safer drivers, safer roads and safer vehicles. We make targeted investments in education and awareness campaigns to help drivers make smart driving decisions, community-based initiatives to promote safe driving, enhanced traffic police enforcement that focuses on high-risk driving behaviours and locations, and road improvements designed to make high-crash intersections and corridors safer for drivers. We also deliver loss management programs to help reduce the impacts of auto crime, including programs that target thieves and help reduce auto crime in high-risk areas, and programs to prevent and reduce the impact of fraud on our customers.

This work cannot be done alone, which is why we partner with many individuals and organizations across the province to deliver these programs, including the Ministry of Public Safety and Solicitor General, the Ministry of Transportation and Infrastructure, local governments, the law enforcement community, brokers, driver training schools, industry associations, community groups, and the many volunteers who devote their time and energy to making BC roads safer for everyone.

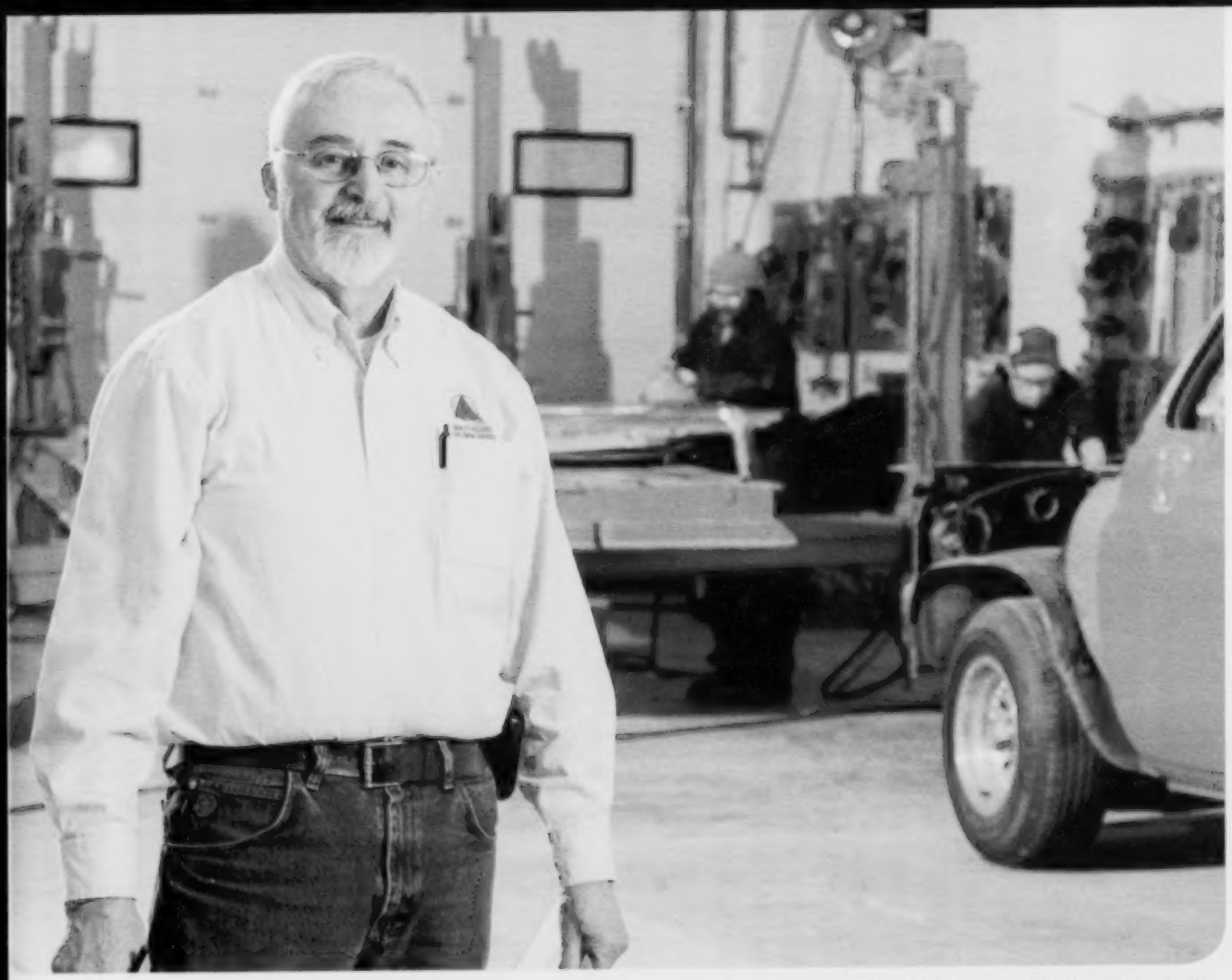
non-insurance services

In addition to our insurance products and services, we also provide a number of non-insurance services on behalf of the provincial government, which include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection.

We manage the issuance of vehicle licence plates and decals through brokers across the province who perform vehicle registration and licensing functions at the time of insurance purchase. This linkage between the requirement for vehicle registration prior to licensing and the issuing of Basic auto insurance minimizes the number of unlicensed and uninsured vehicles operating in BC.

The driver licensing services we provide include driver testing and licensing, administering the Graduated Licensing Program and regulations governing the driver training industry, and provincial violation ticket administration. We also support the Office of the Superintendent of Motor Vehicles' programs relating to driver fitness, driver improvement, administrative driving prohibitions, and vehicle impoundment. By helping to put the right drivers on the road with the right skills, these programs and services contribute to safer roads for all British Columbians.

To find out more about all of our products and services, please visit our website at icbc.com.



Mike Srigley, owner, Sunshine Auto Body

Working with our body shops

Mike Srigley has seen a lot of changes in the collision repair industry in his 36 years of owning Sunshine Auto Body in Langley.

"We're doing a lot of the estimating now directly with the customer, so they don't have to go to a claims centre anymore. We get on with the jobs much quicker now," he says.

Sunshine Auto Body is a part of the c.a.r. shop VALET Program, which streamlines the claims process and provides our customers with a hassle free claims experience. It provides eligible customers with more convenience when dealing with a claim, as they're able to go directly to a c.a.r. shop VALET facility for an estimate and repairs. All c.a.r. shop VALET facilities must meet or exceed ICBC's standards for repair equipment and business practices.

Sunshine Auto Body is just one of our 428 c.a.r. shop VALETs across the province. They're accredited by ICBC to provide safe, high-quality repairs that are guaranteed for as long as you own the vehicle. In 2010, Sunshine Autobody was one of 17 c.a.r. shop VALET facilities in BC that received an AutocheX Premier Achiever Award, which recognizes collision repair shops across North America for achieving excellent customer satisfaction scores in the top four per cent of participating shops.

report on performance

ICBC's corporate vision is to be BC's preferred auto insurer, providing protection and peace of mind. With this vision, we remain focused on building trust with our customers by delivering improved customer experience and offering products and services that are good value. We are improving business processes and efficiencies to deliver improved customer experience, and also work toward providing customers with pricing that is more reflective of driver risk. Improving customer experience will also need the support of our employees. We will therefore continue to focus on improving the experience of our employees, by providing them with the tools and education to help them be successful, develop leadership capability, and build workforce readiness for change. We have had healthy financial results and as a result have been able to protect our customers and provide greater value by keeping rates low and stable for our customers. We will continue to maintain financial stability by having a conservative investment philosophy and manage operating costs prudently.

We established three key strategies under our three corporate objectives. The strategies represent core areas of focus for the work that is underway to achieve our corporate goal and objectives over the next three years. Therefore, it is important to understand these strategies in the context of our overall vision, mission, goal and objectives.

- Corporate Goal: We must improve our customers' experiences and perceptions of us. We will do this by listening to, better meeting the needs of, and trusting our customers while maintaining low and stable auto insurance rates. To be successful, all of us must be empowered, engaged, and accountable for the actions we take to achieve this goal.
- Improve Customer Perception Objective
  Strategy: Understand our customers and exceed their expectations.
- Improve Employee Experience Objective
  Strategy: Engaged, inspired, and confident leaders and employees.
- Maintain Financial Stability Objective
  Strategy: Streamlined, efficient, and cost-effective systems and processes.

performance management systems

To assess progress against our goal and objectives, we rely on a number of financial and non-financial corporate performance measures. Where possible, we use standard industry measures that enable benchmarking with other insurers. Where external sources of data are used, the most current available information is included in this report. In other cases, because of our unique business model, we develop distinct measures relevant to the area of performance. Performance against these measures is monitored throughout the year and actions are taken to address significant variances.

Our data used in the calculation of performance results are derived from the company's financial and operating systems. Controls over our financial systems are periodically reviewed by our internal and external auditors. We recognize the inherent limitations in all control systems. We believe that our systems provide an appropriate balance between costs and benefits desired and that the systems of internal controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Independent firms are retained to conduct ongoing surveys of customers for the purpose of monitoring customer satisfaction and an annual survey for the purpose of monitoring employee engagement.

The following sections provide further information on our objectives and key strategies, as well as our 2010 performance results relative to the measures and targets outlined in ICBC's 2010 – 2012 Service Plan. Performance targets for 2011, as outlined in our 2011 – 2013 Service Plan, are also provided.

improve customer perception
multi-year strategy and measures: 2010 – 2012 Service Plan*

strategy	measures
Understand our customers and exceed their expectations	• insurance services satisfaction • driver licensing satisfaction • claims services satisfaction

** Objectives, strategies and measures for 2011 and future years are reflected in ICBC's 2011 – 2013 Service Plan.*

Improving our customers' perceptions of us is a key strategic focus and we are working towards achieving this by committing to understand what is important to our customers and exceeding their expectations.

For the second year in a row, the Claims Contact Centre was awarded the title of World Class Call Centre Certification from the Service Quality Measurement (SQM) Group. SQM surveys customers from approximately 450 leading North American companies annually. In 2010, ICBC was one of only 13 companies to receive World Class Certification. In addition, 181 ICBC employees from both claims and insurance call centres achieved World Class Certification on an individual level for their superior customer service.

Getting in a crash is stressful, especially when you're far away from home. ICBC partnered with Kirmac Collision to pilot a service which will provide access to repair services for customers who have been involved in a crash in Washington State. When a customer with ICBC Optional insurance coverage calls Dial-a-Claim to report a claim in Washington State and their vehicle can no longer be driven or if they have concerns about driving it, we'll now offer to connect them directly to a Kirmac Collision representative, who will assist them with any towing, repair and rental vehicle needs. Once repairs are complete, the vehicle will be delivered to the Kirmac Collision location in BC that's closest to the customer.

To deal with some common myths about ICBC and address topics that our customers have told us they're interested in, we started the "Demystifying Insurance" campaign. The ads feature Vicki Gabereau as "ICBC's somewhat reluctant de-mystifier of insurance", sharing what she's learning about us and our products. Another campaign, which ran in the summer months, focused on observing the unwritten rules of the road. To reach our youngest audience, we launched two peer-oriented campaigns to appeal to young drivers to change risky driving habits. The 180 Short-Film Contest for 19 – 25 year olds challenged youth to make a short film with a road safety message, while the Your Ad Here contest asked those in grades 8 – 11 to design a print ad that will make their friends reconsider their risky driving habits.

As a result of customer feedback, we developed a new web application to help customers decide which identification they need to bring with them when attending our offices — for example, to renew or replace their BC Driver's Licence. In order to gather more customer feedback, we launched Shifting Gears — an online panel that allows customers to tell us in detail how they feel about ICBC, as well as their preferences relating to our services.

In May, we opened a new driver licensing centre in Port Coquitlam, which responded to the needs of the fast-growing Tri-City area. There's enough space at this site to offer better parking and road testing for motorcycles, buses and tractor trailers. The centre is the first ICBC-owned driver licensing office and was built to Leadership in Energy and Environmental Design (LEED) Gold standards.

We also made some changes to Fleetplan — our rating plan for fleets. We changed the eligibility criteria for fleet status and will now charge standardized Basic insurance premiums for all trailers. The changes include eliminating one of the two existing retrospective rating plan options to ensure that participants take on some of the risk associated with the program. These changes are part of ICBC's overall goal of making rates more reflective of risk, and lay the ground work for future changes as we continue to focus on ensuring we are charging appropriate insurance premiums for all fleet customers.

As part of our continued work on the Transformation Program, we also purchased a new rating and underwriting engine — a behind-the-scenes tool enabler that will use rates, rating variables, rules and the customer's risk profile to calculate customer premiums. This technology will be the enabler to implement our pricing work under Driver Record Model and Fleetplan with the objective of improving customer's price/value perception.

We've bought a new product that will help us achieve our goal of a state-of-the-art, fully integrated claims management system that will benefit our employees, customers and partners. The product will provide us with a consolidated view of a customer's claim, making us more efficient and productive by reducing manual processes, automating less complex work, and offering built-in prompts to support our claims handling efforts.

Thanks to suggestions from our Claims staff, we were able to improve our employee and customer experience while staying true to our corporate objectives. The result was nine changes that could be put in place fairly quickly with minimal resources and move us closer to our desired future state. These included the collection of customer emails as an additional means to contact customers; a more customer-friendly Hit and Run program, which gives customers more choice on where and when they begin to process their claims; and making a copy of the vehicle evaluation available to our customer after a total loss is decided. This helps demonstrate transparency in the process and customers can better understand how their settlement was determined.

We've also expanded the Express Repair Program in order to streamline the claims process for our customers and to provide them with a better claims experience that is hassle free and convenient. The Express Repair Program provides more convenience when dealing with a claim, as customers are able to go directly to a c.a.r. shop VALET facility for an estimate and repairs — eliminating the need to attend a claims centre first. We know that our customers' vehicles are important to them, and getting those vehicles back on the road as quick as possible with safe, high-quality, guaranteed repairs, is a critical component in the overall customer experience.

performance measures, targets and results:

We measure customer service performance based on the percentage of satisfied customers. A separate measure is used for each major transaction type — insurance product purchase, claims service and driver licensing.

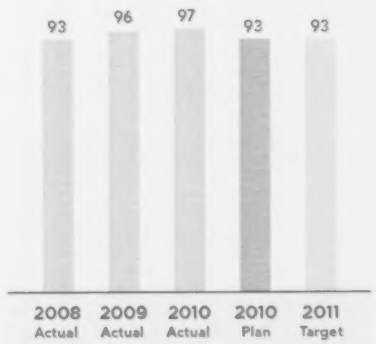
The design of our measures and targets reflects the inherent differences of these key transactions. An independent research firm conducts ongoing customer surveys throughout the year to monitor transactional satisfaction.

insurance services satisfaction

Independent insurance brokers process over three million policies each year. The insurance services satisfaction measure represents the percentage of customers satisfied with a recent ICBC insurance transaction and is based on surveys of approximately 4,000 customers during the course of the year.

This measure is typically higher than 90% and reflects the positive relationship we and brokers enjoy with our customers. The 2010 results were 97%, which exceeded the plan and results from prior years. For 2011, the target has been set at historical satisfaction levels, at 93%, in order to reflect our plan of maintaining a high level of customer satisfaction while preparing for the renewal of technology and changes to the business processes.

insurance services satisfaction (%)



source: surveys conducted by independent firm

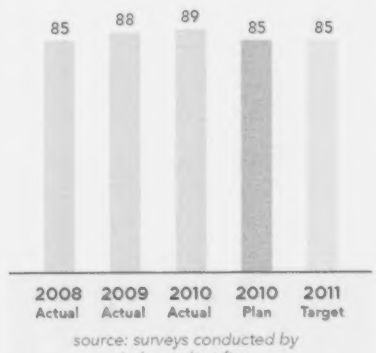
claims services satisfaction

In 2010, almost 900,000 claims were processed through ICBC's Dial-a-Claim centre, claims centres and specialty departments such as commercial claims and rehabilitation services. The claims services satisfaction measure represents the percentage of customers satisfied with their recent ICBC claims transaction and is drawn from a sample of over 30,000 customers surveyed throughout the year.

In 2010, claims services satisfaction was 89%, which exceeded the plan as well as prior years' results.

For 2011, we expect that customer satisfaction may be impacted as we begin to change some business processes and replace the existing claims system. As a result, the target of 85% has been set to reflect historical norms.

claims services satisfaction (%)

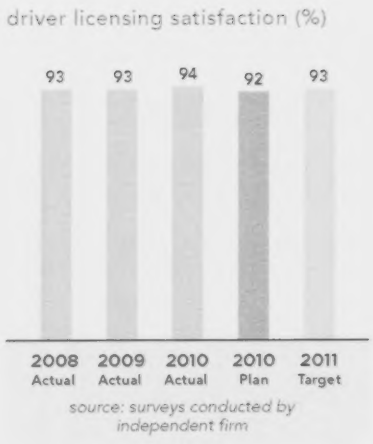


source: surveys conducted by independent firm

driver licensing satisfaction

We conduct approximately 1.5 million transactions relating to the issuance of driver licences and driver exams each year. The driver licensing satisfaction measure represents the percentage of customers satisfied with a recent driver licensing transaction with us. The transaction could relate to issuing or renewing a licence, taking a knowledge test, or undergoing a road test. This measure is drawn from a sample of over 4,000 customers surveyed throughout the year and is weighted by the number of transactions for each type of service.

The 2010 results for driver licensing satisfaction, at 94%, exceeded both the plan and prior years' results. This measure is typically at or over 90% and is indicative of our commitment to customer service. For 2011, the target has been set at 93%, which is consistent with historical norms.



improve employee experience
multi-year strategy and measures: 2010 – 2012 Service Plan*

strategy	measures
Engaged, inspired and confident leaders and employees	• employee engagement index

* *Objectives, strategies and measures for 2011 and future years are reflected in ICBC's 2011 – 2013 Service Plan.*

We know that we need confident, inspired employees in order for us to achieve our objective. Although we've seen an improvement in our employee engagement score from last year and we've exceeded this year's target, it's clear we still have more work to do to ensure all employees feel connected to the business, to the day-to-day work, and most importantly, to our customers.

Our objective for improved employee experience involves aligning business systems and people needs. In 2010, we continued our efforts to align performance management, the corporate competency framework, learning and development programs and employee engagement efforts with increased focus on improving customer perception and renewing our business. We also continued to focus on developing workforce capability and capacity, and establishing "organizational readiness" to ensure an effective transition towards a more customer-centric business model.

In order to foster a culture of recognition and appreciation, we created "iCount cards," which help employees recognize their peers, managers, and team members. Employees can use them to thank people who have helped them get their work done, or who have gone out of their way to help a customer, or anything else they want to show appreciation for. We develop and launch programs like iCount because recognition is an important part of a healthy workplace. These formal programs set a tone as we work towards weaving a culture of recognition through every part of the company.

Because not everyone likes to be recognized for good work in the same way, we're offering workshops for managers on how to recognize employees, and how to be sensitive to different recognition preferences. We offer these workshops by request and so far more than 100 managers have taken us up on our offer.

In 2010 we created the DRIVE (Delivering Results Innovation Values and Enthusiasm) Council, which will increase recognition of employee achievements through a forum where employees and senior leaders share ideas about continuously improving our recognition practices. The council includes employees from various divisions, levels, and geographical locations. Hosted by our President and CEO, Jon Schubert, the group is working towards finding new ways to recognize employees, including establishing categories for the DRIVE Awards that will be presented at next year's managers' conference.

We recognize that if we are able to make processes easier for our staff, it gives them more time to focus on the customer. We took a significant step forward in modernizing

our business in 2010 when we switched from microfiche to electronic content management for vehicle registration documents. The new technology allows us to create electronic copies of insurance documents and quickly and easily access these documents when we need them. All of the new systems we have been buying will give us modern, more integrated technology to serve our customers better and improve the experience for our employees, customers and business partners.

We believe in investing in the communities where our employees live and work and supporting causes important to them. In 2010, ICBC and its employees gave generously to several charities, including more than $200,000 to the Canadian Red Cross and other charitable organizations for the Haiti relief effort. ICBC and its employees contributed $1 million dollars to United Way and their registered charities, making our 2010 campaign our most generous ever. Our Giving Back to Communities program recognizes and supports employees who volunteer and teams that fundraise for registered charities in their community by making a donation to their chosen charity. ICBC staff who took advantage of this program were able to raise more than $20,000 for the Movember campaign, which supports prostate cancer.

performance measures, targets and results:

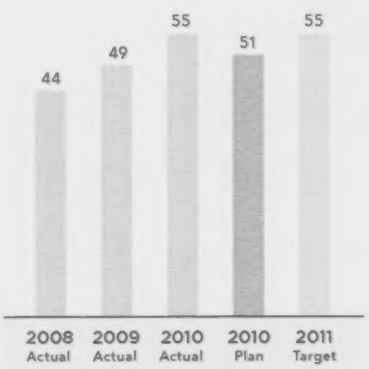
employee engagement

This measure represents the overall level of engagement of our employees, as defined by how positively they speak about the organization to co-workers, potential employees, and customers; the level of desire they have to be a member of the company; and the degree of extra effort and dedication they are willing to apply to doing the best job possible.

We made significant progress in improving our employee engagement score in 2010. The employee opinion survey was sent to each of the approximately 5,200 full-time equivalent employees in the fall. The participation rate increased to 84%, the highest ever. The 2010 result, at 55%, exceeded both the plan of 51% and results from prior years, indicating that our efforts to improve employee experience are having a positive impact on our workplace environment.

In 2011, we have set our target at 55%, equal to the 2010 actual result. One of the key factors affecting our employee experience is our outdated work tools and processes. Our goal is to maintain a workforce of engaged and committed employees while we do the transformative work necessary to modernize our systems and processes. In keeping with the company's long-term corporate strategy, we strive to improve the employee experience by cultivating a workforce of engaged, inspired and confident leaders and employees.

employee engagement index (%)



source: surveys conducted by independent firm

maintain financial stability

multi-year strategy and measures: 2010 – 2012 Service Plan*

strategy	measures
Streamlined, efficient, and cost-effective systems and processes	• minimum capital test • combined ratio • loss ratio • expense ratio • investment return

** Objectives, strategies and measures for 2011 and future years are reflected in ICBC's 2011 – 2013 Service Plan.*

Being financially responsible has provided us with a strong foundation that allows us to continue to provide value to our customers and achieve our other objectives. Our strong financial results over the past several years have also helped us to build our capital levels. Capital acts as a contingency to help protect our customers, providing them with the confidence that their claims will be paid and contributing to low and stable rates.

The strong capital came from investments and operational performance. Achieving our corporate vision will require investment in the renewal of our aging technology, systems and processes over the coming years and, as a result, our operating cost structure is expected to increase temporarily. Our strong financial position, however, allows us to make this overdue investment in business renewal which, in the long-term, will allow us to better serve and provide greater value to our customers. The Transformation Program is necessary to support our corporate strategy and will be critical for delivering on the objective of improving customer perception while also increasing the efficiency and effectiveness of our business.

The most significant cost pressure to our business continues to be the cost of bodily injury claims. In 2010, we saw an increase in the number and cost of bodily injury claims, which are a major challenge for the insurance industry as a whole, particularly due to the increases in average costs of these types of claims (severity) over the past several years. Managing the growth of bodily injury claims costs remains a key strategic focus for us and strategies include claims handling based on risk, increased management oversight, and road safety enhancements.

We also continue to be an industry leader with low operating costs. Similar to previous years, about five cents of every premium dollar was used for administrative costs to operate our insurance business in 2010. We also work closely with our partners and suppliers to ensure that our customers receive high-quality services at reasonable prices.

We are continuing to move towards driver-based pricing where premium rates are more reflective of risk. Drivers who take more risks and, overall, bring more costs to the system will pay higher premiums, which will benefit lower risk drivers. This will allow us to continue to provide value to our customers and to provide them with the ability to make decisions that influence the premiums they pay.

One way we help prevent traffic-related deaths, injuries and crashes is through our road safety programs. Fewer and less severe crashes benefit us all by helping to keep people and our communities safe, and by helping keep claims costs and insurance premiums low. ICBC invested almost $60 million in road safety and loss management initiatives in 2010. We supported the BC government's legislation to prevent the use of hand-held cell phones and other electronic devices while driving, and the enhanced impaired driving laws. To help reduce intersection crashes, the provincial government, ICBC and police are working on upgrading and expanding the intersection safety camera program.

In order to fight auto theft, we continued our Ford F-Series Immobilizer program, which provided almost 5,000 customers who have F250 or F350 trucks with vouchers for the installation of a two-point electronic immobilizer. This program prevents a significant number of very expensive claims from occurring, and the savings more than cover the cost of the program. It is one part of our comprehensive auto crime strategy, which has contributed to a 64% decline in auto theft claims since 2003.

We know many cost-savings initiatives affect both our bottom line as well as the rates for our customers. In 2010 we released our new environmental sustainability policy, which increases our emphasis on sustainablity, through material and energy conservation, as well as maintaining the commitment that we have always had to environmental risk management. We're excited about the opportunity to contribute to the provincial government's climate change objectives, and we are looking forward to building on our carbon neutral program to support our commitment to make our business environmentally sustainable.

performance measures, targets and results:

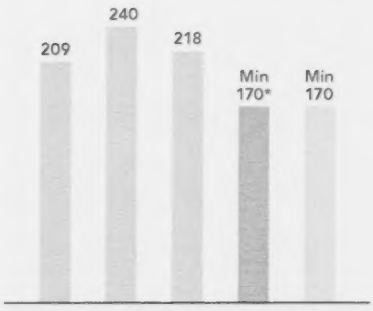
minimum capital test

Minimum capital test (MCT) is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. MCT measures capital available, compared to capital required, and is used to assess whether a company has sufficient capital to protect policyholders from financial risk and provide long-term financial stability. Appropriate levels of capital help protect customers by providing stability in rates in the face of significant, externally-driven negative impacts to the business.

Pursuant to a legislative change effective April 2010, ICBC now transfers to the Government of BC on an annual basis Optional capital in excess of the MCT determined by ICBC's actuaries in accordance with federal regulatory guidance, and validated by an independent actuary, less a deduction for the remaining Transformation Program reserve as approved by the Treasury Board.

As a result of the legislative change, the new minimum management corporate MCT target is now set at 170%. Our 2010 MCT was 218%, higher than this revised minimum target of 170%, and was built from strong net income over the past years. Net income increases the amount of retained earnings held by us, thereby increasing available capital and payments to the Province reduce retained earnings. 2010 MCT is lower than 2009 due to the excess Optional capital paid and payable to the Government of BC.

minimum capital test (%)



** Revised from 2010 – 2012 Service Plan.*
source: ICBC financial systems

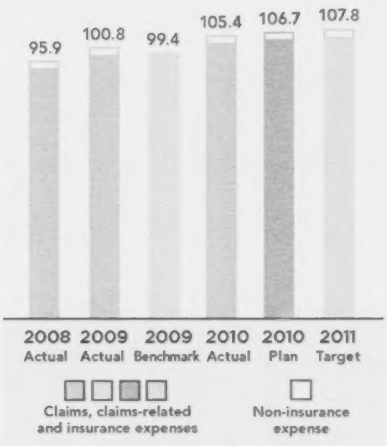
combined ratio

The combined ratio is a key measure within the insurance industry for overall profitability and is the ratio of costs to premium dollars earned. A ratio below 100% indicates an underwriting profit (i.e., premiums are sufficient to cover costs) while a ratio above 100% indicates an underwriting loss (i.e., premiums are not sufficient and investment income is needed to help cover costs). Costs that affect the combined ratio are claims costs, claims-related costs, operating costs and acquisition costs.

Our combined ratio is higher than typical for the P&C industry and reflects the unique nature of our business model. Our premiums are not set to generate large underwriting profits, but together with investment income are set to recover all costs and achieve and maintain capital targets. We deliver non-insurance services on behalf of government and in 2010, non-insurance costs represented almost three percentage points of the combined ratio.

The 2010 results are slightly better than plan mainly due to lower material damage claims costs, favourable prior years' claims costs, and lower operating costs and timing relating to the Transformation Program offset by increasing claims severity and higher frequency of reported injury claims. The 2010 combined ratio, including non-insurance services, is higher than 2009 primarily due to higher

combined ratio (%)



source: ICBC financial systems

acquisition costs, claims costs and our investment in the Transformation Program of approximately one per cent. The P&C 2009 industry benchmark was 99.4.[1]

For 2011, the expected increases in claims and operating costs are forecasted to outpace the expected increase in premium revenue resulting in a higher combined ratio.

loss ratio

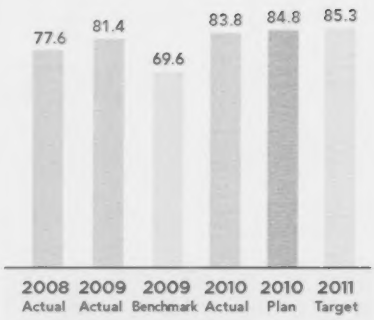
A key performance indicator within the insurance industry is the loss ratio, which is a measure of the insurance product's profitability. This measure is the ratio of the total of claims and claims-related costs, including loss management costs but excludes administrative and acquisition costs, to insurance premium dollars earned. From a customer perspective, the higher loss ratio means more of each premium dollar collected is used for claims costs.

Our loss ratio is typically higher than the P&C industry because our premiums are set to recover costs and to achieve and maintain capital targets. We use our investment income to offset rates for our customers, thereby allowing rates to be lower than they would be if we had to generate an underwriting profit as private insurers do. As reflected in the expense ratio, we have lower relative operating costs and can pay more of each premium dollar towards claims and related costs. This results in a higher loss ratio. In addition, we are mandated to provide Basic insurance to all drivers in BC, including the category of high-risk drivers whose claims costs are proportionately higher. This results in a higher loss ratio for us relative to those insurers who may limit their exposure to such business.

In 2010, ICBC's loss ratio was 83.8%, lower than the plan ratio primarily due to lower material damage claims costs resulting from lower claims frequency, in part from reduced traffic during the Vancouver 2010 Olympic Winter Games, and a favourable prior years' claims adjustment as older claims reserves are reduced. This was offset by increasing claims severity from inflationary pressures, higher frequency of reported injury claims and an unfavourable discounting adjustment as a result of lower prevailing interest rates. The 2010 loss ratio was higher than 2009 actual results primarily due to higher claims costs due to increased claims severity, higher frequency of reported injury claims and an unfavourable discounting adjustment as a result of lower prevailing interest rates. The 2009 P&C industry benchmark was 69.6%.[1]

The 2011 target is higher than 2010, reflecting longer-term claims costs trends and expected increases in claims-related costs.

loss ratio (%)



source: ICBC financial systems

[1] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2010. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and SAF).*

expense ratio

The expense ratio is a standard industry measure for assessing the operational efficiency of an organization and is the ratio of non-claims costs to insurance premium dollars earned. It includes operating costs that are directly related to selling insurance such as general administration, commissions paid to brokers, taxes paid to government on premiums written, product design (underwriting), and non-insurance costs such as those associated with driver licensing and vehicle registration.

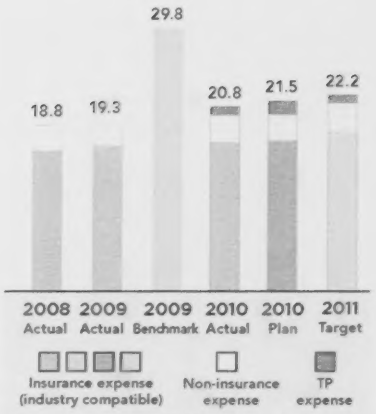
Beginning in 2010, our expense ratio consists of three key components: the insurance expense ratio, the Transformation Program (TP) expense ratio, and the non-insurance expense ratio. We incur costs for non-insurance expenses such as driver licensing, vehicle registration and licensing, and government fines collection that other insurance companies do not incur. Segregating expenses in this manner allows us to better manage the costs of operating our insurance and non-insurance businesses, and to separately reflect the impact on this ratio of our investment in the business through the Transformation Program.

The 2010 expense ratio of 20.8% is lower than plan due to lower operating expenses as we continued to demonstrate our commitment to operating efficiently and managing costs effectively, and timing of Transformation Program expenses. The expense ratio for 2010 is higher than 2009 mainly due to the impact of the Transformation Program, which increased the overall expense ratio by 0.9 per cent and higher administrative expenses.

Our expense ratio which, unlike the insurance industry, includes non-insurance costs, is still considerably lower than the 2009 P&C industry benchmark of 29.8% [2] (an expense ratio specific to auto insurance is not available). We believe that while the auto insurance expense ratio for the industry would be slightly lower than the overall P&C expense ratio, our expense ratio is lower than industry due to our ability to achieve economies of scale, the benefits of integrated operations, and lower marketing, underwriting, acquisition and general administration costs.

The 2011 target for our expense ratio reflects higher operating costs impacted by general inflationary increases, increased supplier costs, and higher acquisition costs.

expense ratio (%)



source: ICBC financial systems

[2] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2010. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and SAF).*

investment return

ICBC manages an investment portfolio with a carrying value of $11.6 billion at the end of 2010. The portfolio is conservatively invested with the majority of assets held in investment grade bonds. These assets are held primarily to provide for future claims payments, unearned premiums, and retained earnings. The income earned on these investments also helps to reduce the amount of premiums needed from policyholders.

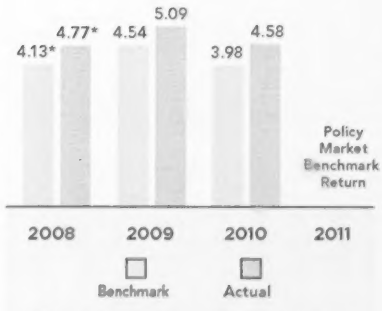
Investment returns, which incorporate both changes in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard market benchmarks. In addition, the return of the overall portfolio is measured against a policy market benchmark calculated as the average of individual asset class market benchmark returns weighted according to the portfolio's strategic asset mix. Asset class benchmarks and strategic asset mix are outlined in the ICBC Statement of Investment Policy and Procedures established by ICBC's Board of Directors.

Investment returns over the last four years have benefited from the portfolio's fixed income holdings as bond and mortgage investments have outperformed equity investments.

ICBC's investment returns continue to compare favourably to market returns. The 2011 – 2013 investment portfolio performance targets are set at the policy market benchmark return, net of investment management expenses. For performance measurement purposes, ICBC does not forecast the policy market benchmark return as it is the result of market forces beyond the company's control.

For 2010, ICBC's four year annualized return was 4.58% and the comparable policy market benchmark was 3.98%.[3] In comparison, for 2009, ICBC's four year annualized return was 5.09%, or a 0.55% higher return compared to the market benchmark.

investment return[3]
(four year annualized)
(%)



** Restated to include real estate returns.*
source: return calculated by independent firm[3]

[3] *Sources: DEX Debt Market Indices; S&P TSX Composite Capped Index; Morgan Stanley Capital International (MSCI) EAFE Index; S&P 500; Merrill Lynch US Bond Indices; ICREIM/IPD Canadian Property Index; (ICREIM/IPD = Institute of Canadian Real Estate Investment Managers/Investment Property Databank).*

summary of objective and performance

The table below provides an overview of ICBC's historical performance as well as the 2011 target performance. The results reported below are based on the objectives, strategies and measures outlined in the 2010 – 2012 Service Plan tabled in February 2010.

Objective	Strategy	Measures	Actual[1]			Plan[1]	Target[2]
			2008	2009	2010	2010	2011
improve customer perception	**Understand our customers and exceed their expectations**	insurance services satisfaction	93%	96%	97%	93%	93%
		claims services satisfaction	85%	88%	89%	85%	85%
		driver licensing satisfaction	93%	93%	94%	92%	93%
improve employee experience	**Engaged, inspired, and confident leaders and employees**	employee engagement index	44%	49%	55%	51%	55%
maintain financial stability	**Streamlined, efficient, and cost-effective systems and processes**	minimum capital test[3]	209%	240%	218%	Min 170%[4]	Min 170%
		combined ratio					
		• claims costs, claims-related expenses, and insurance expenses	93.0%	97.9%	102.4%	103.8%	104.6%
		• non-insurance expenses	2.9%	2.9%	3.0%	2.9%	3.2%
		total	95.9%	100.8%	105.4%	106.7%	107.8%
		loss ratio	77.6%	81.4%	83.8%	84.8%[4]	85.3%
		expense ratio					
		• insurance expense ratio (excludes DPAC)	15.9%	16.4%	16.9%	17.1%[4]	18.1%
		• transformation program expense ratio	–	–	0.9%	1.5%[4]	0.9%
		• non-insurance expense ratio	2.9%	2.9%	3.0%	2.9%	3.2%
		total	18.8%	19.3%	20.8%	21.5%[4]	22.2%
		investment return[5]					
		• ICBC portfolio	4.77%	5.09%	4.58%	Benchmark	Policy Market Benchmark Return
		• policy benchmark	4.13%	4.54%	3.98%	+0.275%	
		excess	0.64%	0.55%	0.60%		

[1] *Financial information for 2008 to 2010 was prepared based on Canadian generally accepted accounting principles (GAAP).*

[2] *Target 2011 was prepared based on International Financial Reporting Standards (IFRS).*

[3] *Pursuant to legislative change effective April 2010, ICBC transfers its excess Optional capital to the Government of BC on an annual basis.*

[4] *Restated to reflect current year reporting.*

[5] *Four year annualized investment return includes real estate returns.*

Richard Pindral, president, IBABC &
Lesley Maddison, president, CUISA

Working with our brokers

One of the biggest partnerships that we have is with our 900 broker offices across the province. And Lesley Maddison, Credit Union Insurance Services Association president, and Richard Pindral, Insurance Brokers Association of BC president, would agree.

"Our feedback has helped ICBC develop a suite of products to fit the needs of customers. We can tell ICBC what the issues are with processing, we can tell them how to improve coverage, and it's all important to make the process go smoothly," says Richard.

The Insurance Brokers Association of BC has more than 730 member offices and represents independent agencies from every region of the province, as does the Credit Union Insurance Services Association who are owned or partly owned, controlled by, or affiliated with any credit union.

ICBC works closely and collaboratively with both associations to improve the Autoplan distribution system for the benefit of our customers. ICBC is proud of the gains the broker partnership has made for customers across BC and looks forward to continuing this work to make the distribution system even better.

business risks and risk management

Consistent with good governance and insurance sector practices, we manage risk from an organization-wide perspective. Our Corporate Risk Management Framework is approved by our Board of Directors and defines our approach towards effective assessment and management of significant corporate risks. The framework considers both external and internal environments, and risks and challenges associated with each. The objective is to identify risks, raise awareness of those risks throughout the company, and initiate further action to mitigate significant risks. Executive management reviews key corporate risks and the status of related mitigation strategies quarterly and updates are provided to the Board of Directors and relevant Board sub-committees. Through monitoring and review of the external environment, as well as refinements to our corporate strategy, our key strategic risks are expected to change over time. New risks may emerge and identified risks may be reduced or eliminated through mitigation strategies or changes in the risk profile.

In 2010, strategic risks included claims costs, workforce planning, Transformation Program, financial markets, business renewal and customer approval which are included in the following framework.

For 2010, we have organized our strategic risks using our framework of corporate objectives:

improve customer perception

- Reputation: Establishing and maintaining our reputation as a responsible and reliable company is critical in building trust and support for our company. Our reputation, particularly the trust afforded by our customers and key stakeholders, could be diminished due to perceived or real breaches in our ability, or the ability of third parties with which we are associated, to conduct business securely, ethically and responsibly, and be customer-focused. We must demonstrate integrity and dedication to our customers every day and at every level, and respond appropriately to issues.

  Management's risk management framework explicitly considers the impact on our reputation associated with business practices and decisions, while ongoing brand-related work and proactive communications in 2010 helped build customer trust and confidence. Communications to employees, together with risk management training, have reinforced the importance of proactively identifying and assessing reputation risk. We also re-wrote the Code of Ethics in 2010 to increase the clarity of the language and communicated it to all employees.

- Business Partner and Stakeholder Management: There is a risk that business partners and stakeholders who influence customers do not support our business model and strategy. A Stakeholder Strategy framework was completed in 2010. We are seeking input from business partners and stakeholders who influence our customers to align support for changes that will enhance our customers' experience and perception of price and value.

- Customer Approval: There is a risk that customer approval remains low. Customers have expectations around prices, choice, convenience and the way they are treated including service. In addition, they want to be able to access their insurer in a variety of ways, including face-to-face, via the telephone or the Internet. Continuing to provide value to all of our customers as expectations change and increase is an ongoing challenge, particularly in the face of claims cost pressures and the constraints of aging legacy systems that will continue until the Transformation Program, which will adapt our business processes to be more customer-centric, is completed.

  In 2010, a communication plan to address some of the misconceptions customers have regarding ICBC and our services was presented to our Board. The implementation of the media portion of the campaign commenced in November 2010. We introduced an on-demand, over-the-telephone translation service for customers who need language assistance during the handling of their claim, so they are now able to converse freely with us in more than 170 languages through an interpreter. As well, our Chinese and Punjabi speaking customers can now access information in their own primary language on icbc.com.

improve employee experience

- **Workforce Planning:** There is a risk that ICBC may not be able to deliver its core business or change initiatives due to alignment, capability and readiness of its leaders and employees. In 2010 we developed a longer-term plan to shape ICBC's workforce and culture to align with the business model we are defining through the Transformation Program that is underway. In 2010, we also continued to focus on recruitment, compensation, training and leadership development to attract, develop, and retain talent for the future. In this way, we will ensure that we can deliver our core business and dedicate the appropriate number of people with the right skill sets to work on the Transformation Program.

  Employee recognition is an area of focus as part of our ongoing commitment to improving our employees' experience. We are encouraged by the six percentage point increase in our employee engagement measure in 2010, on top of our five percentage point increase in 2009.

maintain financial stability

- **Bodily Injury Claims Costs:** The risk that insurance rates increase due to bodily injury claims cost increases arise from internal factors such as claims handling and external factors such as increased claims fraud, medical cost increases, legal precedents and/or litigation.

  In 2010, we continued with strategies to reduce crashes and claims costs which are a priority for us and include public awareness campaigns on high-risk driving, the transition to risk-based pricing and road safety activities. The strategies to manage bodily injury claims costs through improvements to the claims handling process include: increased management accountability, increased responsiveness to customers, and increased focus on file quality and risk management.

- **Financial Markets:** Like all insurers, we hold investment assets to provide for unpaid claims costs, unearned premiums, and retained earnings. Earnings from these investments contribute to net income. There is a risk that investment assets and/or income is negatively impacted by adverse changes in market credit and liquidity conditions, equity prices, interest rates or currency exchange rates.

  In managing these risks, our investment policy, established by the Investment Committee and approved by the Board of Directors, provides the framework for balancing risk and returns. We follow a long-term strategy and diversify investment holdings to manage investment return fluctuations, and we hold a conservative portfolio with the majority of monies invested in fixed income assets. Given the heavy weighting in fixed income assets, we are subject to interest rate risk. However, this asset mix profile is developed with our liability profile and cash flow needs to cover future claims payments which moderates the risk. For example, an increase in the interest rate would decrease the market value of fixed income assets but claim liabilities would also decrease as a result of a higher discounting rate used. In 2010, an ICBC investment compliance officer was hired to strengthen our investment compliance and monitoring activities.

In addition to the above, our risk management process identified additional corporate level risks that are actively monitored and mitigated. These risks and their mitigation strategies are discussed below.

other significant corporate risks

- **Business Renewal:** There is a risk that we will not fully achieve the intended outcomes of the Transformation Program. The Transformation Program has a comprehensive governance model to oversee it and strong ownership from the business to foster corporate commitment and collective success. In 2010, the Transformation Program developed an integrated plan containing key intra-dependencies and inter-dependencies between the multiple Transformation Program projects so that key decisions are made in the right sequence, thereby reducing the risk of not achieving the intended program outcomes. The progress being made by project along with costs incurred is monitored closely.

- **Technology Risk:** There is a risk that the business cannot achieve its objectives due to any of the major technology or solutions being unavailable or becoming unsuitable, thus requiring additional time, cost and risk to change them. In 2010, we developed strategies and roadmaps for technology investments to meet our strategic direction and future business needs and aligned the governance over technology decisions with other corporate governance processes, including the Transformation Program governance model. We are using proven methods, tools and experienced technology partners to deliver intended technology solutions within the planned timeframe. In late 2010, we signed a Preliminary Services Agreement with IBM for Systems Integrator (SI) services. The SI will play an important role in helping ICBC implement new systems and integrate them with our existing and new systems. The SI brings experience with similar, large-scale business renewal programs and our ICBC staff will learn from them as they work together on project teams.

- **Privacy:** We maintain personal information relating to our customers and employees, and deal with business partners and customers over the Internet. There is a risk that customers' and employees' trust will be diminished if there are breaches because either we or our business partners inadequately safeguard personal information.

  We use a combination of preventative and detective controls involving people, process and technology to manage our privacy risk. We have a Privacy Incident Protocol in place to ensure that if there are any incidents, they are handled effectively. In 2010, our revised Code of Ethics reinforced employees' obligation to protect access to information and an annual review and confirmation is now required for all employees and contractors.

  We also worked on maintaining a strong relationship with the Office of the Information and Privacy Commissioner that supports our privacy and strategy programs. As a result of one of their recommendations, a privacy module has been incorporated in our Claims Adjuster training programs.

- **Access to Systems:** There is a risk that our data and/or system-dependent operations could be intentionally or unintentionally compromised by unauthorized access. System access controls include layered defences, encryption of data on portable media, strong passwords and access to information and resources granted to individuals only as necessary for business purposes. We have an enterprise-wide Information Technology Security Program, as well as the ICBC Code of Ethics governing access and use of corporate data. To strengthen awareness and compliance, a privacy/security tutorial was developed in 2010 and completion will be mandatory for all employees in 2011. As well, in 2010, we initiated a data audit process to proactively detect inappropriate system access and potential privacy breaches, and embedded security assessments in all Transformation technology projects.

- **Business Interruption:** There is a risk that the operations may not be maintained or essential products and services cannot be provided due to business interruption arising from physical and/or technical events. This risk is managed through three related programs: Emergency Response Program (employee safety, building evacuations), Business Continuity Planning (continued essential customer services during an interruption), and Information Technology Disaster Recovery Planning (our data centre). In 2010, components of the plans were tested and improvements are being worked on to programs as needed.

- **Catastrophic Loss:** There is a risk that our capital strength could be eroded in the event of a major disaster. We have financial protection through a reinsurance policy in the event of losses resulting from catastrophes. This policy is reviewed and renewed annually. Losses experienced in excess of a specified amount will be covered by the reinsurance policy up to the policy limits in any given year.

- **Competition:** There is a risk that ICBC will lose capital strength due to changes in the competitive landscape. Insurance is a complex business affected by external trends, risks, and other factors that can present both significant opportunities and risks for the company. Changing conditions in the Optional insurance market and past profitability in the Canadian P&C insurance industry create the potential for increased competition.

  We are moving toward a pricing model that will be better aligned to driver risk to prepare us for potential changes in the competitive landscape.

Carol Paetkau, executive director
Fraser Valley Brain Injury Association

Working with our rehabilitation providers

Carol Paetkau has seen the devastating effects a car crash can have on a person. As the executive director of the Fraser Valley Brain Injury Association — a charitable organization that offers support and services to people with brain injuries and their families — she knows their challenges are unique.

"People with a brain injury may have significant personality changes, which can cause barriers with the community. We try and assist them to getting connected to a peer network of other people with brain injuries and their families who have a real understanding of what they're going through and work towards connecting them back to their communities," says Carol.

The Fraser Valley Brain Injury Association also offers a variety of support groups and education sessions, including ArtWorks, which allows survivors to experiment with various art mediums and then learn how to display their pieces with the assistance of professional artists.

ICBC works with groups such as the Fraser Valley Brain Injury Association to help our clients' integration back into their community, and provide social networking opportunities, life skills and other resources after their funds run out or their claim settles.

We work with the medical community to help individuals severely injured in car crashes to maximize their recovery and regain their independence. We were the first North American insurance company to establish a dedicated rehabilitation department. With offices across the province and a team of 50 caring and well-trained professionals, we help more than 2,700 clients annually.

management's discussion and analysis

Our financial results for 2010 remain strong in the face of increasing claims costs, higher acquisition costs and the start of costs related to the Transformation Program. Net income of $361 million in 2010 was $202 million lower than the 2009 net income of $563 million.

- Premiums earned were $3,667 million in 2010 — $17 million increase over 2009. This reflects a moderate vehicle growth of 1.9% with higher sales of Optional insurance coverages. In November 2010, Basic and Optional insurance rates were reduced by 2.4% and 3.0% respectively.
- Net claims incurred costs were $2,752 million in 2010 — $102 million higher than 2009 largely due to increasing injury claims costs.
- Premium acquisition costs were $477 million in 2010, which were $42 million higher than 2009 due to a higher adjustment to deferred premium acquisition costs (DPAC) (see description on page 33) and higher commissions resulting from higher premiums earned and increased commission rates.
- Investment income in 2010 was $506 million, which was $26 million lower than 2009 but still strong. We have been able to continue our strong investment performance since the recovery in the capital markets.
- Operating costs continue to be prudently managed. In 2010, operating costs, excluding Transformation Program costs, of $577 million were $8 million higher than 2009 mainly due to general inflationary increases.
- The Transformation Program started in 2010 and incurred costs of $35 million. The Transformation Program is fully funded by Optional insurance.

premiums

Total premiums earned increased to $3,667 million from $3,650 million in 2009. In 2010, as compared to 2009, the number of policies sold increased by over 63,000 or 1.9% and sales of Optional insurance coverages also increased reflecting an improving economy. These increased sales of policies and coverages were partially offset by the impact of the 3.0% average reduction in Optional insurance rates effective October 1, 2009. The November 2010 Basic and Optional insurance rate reductions of 2.4% and 3.0% respectively had minimal impact in 2010; the full impact of these rate reductions will be realized in 2011.

service fees

Service fees primarily comprise of interest and other fees received from policyholders who have chosen to finance their insurance premiums over a period of six or 12 months. In 2010, service fees decreased by $4 million from 2009 due to decreasing interest rates.

claims costs

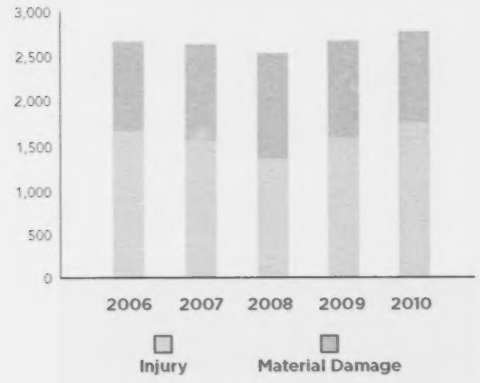
Claims incurred costs account for approximately three-quarters of our total expenditures and are the expected costs to settle claims for all crashes that have occurred during the calendar year, regardless of when the crash is reported to us.

Claims incurred costs are comprised of payments made to settle claims, case adjusters' reserves of the ultimate probable cost of claims, actuarial estimates of claims costs not yet reported, and the actuarial estimate of the additional costs that will be paid out on known claims.

Claims incurred costs are based on the number of claims that take place in a year and the average expected costs to settle those claims. The number of claims is influenced by factors that include driving behaviour, driving experience, weather, and the effectiveness of road safety and loss management programs. The average cost of claims is influenced by inflation, settlement awards, legal, medical, vehicle repair, and independent adjusting costs.

Overall 2010 net claims incurred costs of $2,752 million were higher than the $2,650 million in 2009 mainly driven by current year claims costs increasing by $106 million compared to 2009 partially offset by a small favourable adjustment to prior years' claims.

net claims incurred costs
($ millions)



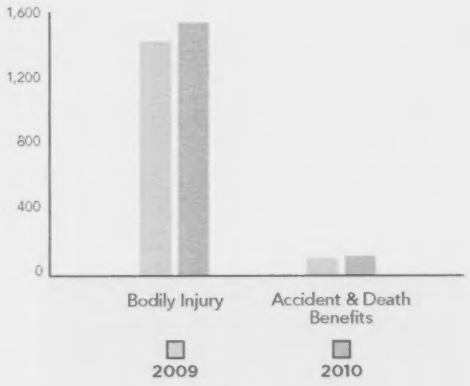
source: ICBC financial systems

For 2010, the total number of injury claims increased approximately 4% while the number of material damage claims decreased by approximately 6% from 2009. The overall average cost of claims that occurred in 2010 increased by approximately 3% over 2009, for each of injury and material damage claims, mainly reflecting inflationary increases.

injury claims

Injury claims account for approximately 60% of claims incurred costs in 2010, and include bodily injury claims, and accident and death benefits. Injury claims include amounts for pain and suffering, future care, past and future wage loss, medical expenses, and external claims handling expenses.

current year injury claims incurred
(major categories)
($ millions)



source: ICBC financial systems

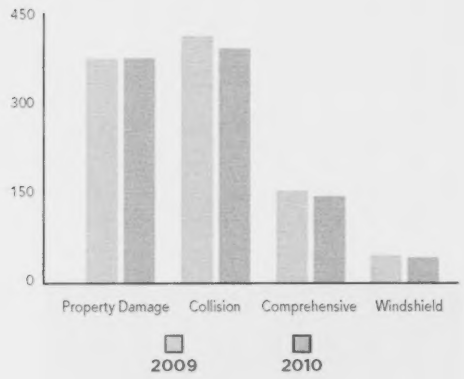
Overall, the total cost of injury claims increased in 2010 compared to 2009 reflecting inflationary increases in the average cost of injury claims combined with an increase in the number of injury claims.

Bodily injury claims costs accounted for 93% of all injury claims costs and increased by $117 million to $1,561 million in 2010 compared to 2009. For 2010, the total number of bodily injury claims is higher by 5% when compared to 2009 which experienced a decrease in the number of claims.

material damage (non-injury) claims

The main categories of material damage claims are property damage, collision, comprehensive, and windshield claims. In 2010, there was a decrease in the number of material damage claims resulting in part from the favourable effect of reduced traffic during the Vancouver 2010 Olympic Winter Games. The effect of reduced traffic also carried over for the rest of the year.

current year material damage claims incurred
(major categories)
($ millions)



source: ICBC financial systems

The average cost for most material damage claims was higher than 2009 mainly due to general inflationary increases for the cost of repair parts and labour as part of the Collision Repair Industry Agreement.

Even though the average material damage claims costs increased in 2010, this was more than offset by the favourable impact of the lower volumes of claims, thereby resulting in a lower total material damage current year claims costs in 2010 compared to 2009.

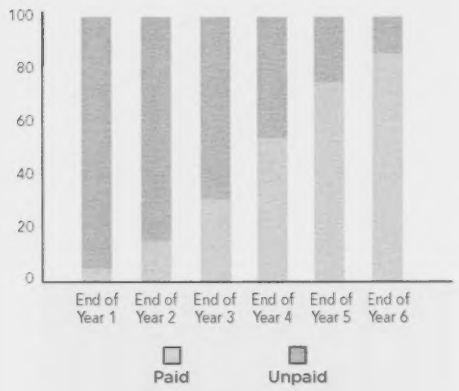
unpaid claims and prior years' claims adjustments

The unpaid claims reserve is money set aside in anticipation of future claims payments relating to claims that have already happened. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the year based on revised actuarial estimates which includes a provision for adverse deviation (see note 2e to the Consolidated Financial Statements).

Adjustments to the prior years' claims reserves are due to the re-estimation of future claims costs for claims in progress and those incurred in prior years but not yet reported. We commission the services of an external appointed actuary to provide an independent assessment of the unpaid claims reserves and, as part of the annual audit of the financial results, the external auditor reviews the adequacy of the unpaid claims reserves.

The estimate of unpaid claims at the end of 2010 was $6,183 million; however, estimates for these future claims costs can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. Unpaid bodily injury claims costs account for nearly 89% of total unpaid claims costs. As illustrated in the following chart, only a small percentage of bodily injury claims costs are paid and known in the first year of the claim's occurrence with a greater portion of the costs being an estimate of claims costs payable in future years. As time passes, more claims are paid and more information becomes available, enabling the estimate of the remaining future claims payments to be refined. This results in adjustments to the unpaid claims reserve to reflect the most current forecast of claims costs.

breakdown of bodily injury costs
(typical accident year)
(%)



source: ICBC financial systems

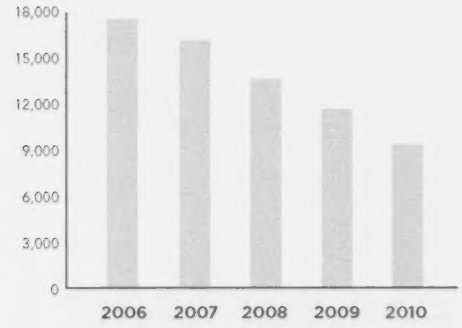
We earn investment income on funds set aside for unpaid claims, between the time that premiums are collected and the time claims are ultimately paid. In accordance with accepted actuarial practice in Canada, we report our unpaid claims balance on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims. The discount rate is based on the weighted average of the expected rate of return on our current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. Overall, we reduced our estimated cost to pay for these claims that are not yet settled. However, this reduction was almost entirely offset by an increase in estimated costs due to a lower discount rate that increases the unpaid claims amount.

road safety and loss management

We invest in road safety and loss management programs to help prevent crashes, auto crime and fraud. This contributes to low and stable rates for customers. In 2010, we invested $46 million in road safety and $14 million in loss management programs, which include auto crime and fraud prevention, investigation and detection.

We target our road safety investments on the major risks that impact customers and costs in our business, including impaired driving, speeding, crashes at intersections and the use of occupant restraints. We also have continued our successful partnership with road authorities in 2010 to reduce crashes at high-risk road locations by sharing the cost of 290 road safety engineering projects. Road Safety programs have contributed to an approximate 8% claims reduction in the traffic crash injury claim rate in BC in the past five years.

total theft of vehicles
(number of claims reported)



source: ICBC financial systems

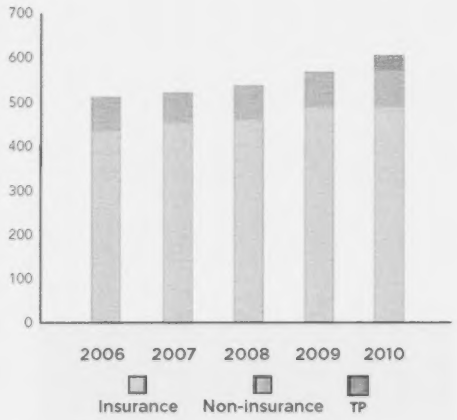
Our 2010 auto crime investment continued to effectively decrease auto theft. Support for programs like Bait Car, Stolen Auto Recovery, Auto Crime Enforcement month and an immobilization strategy targeting high-theft vehicles contributed to a 20% claims reduction in auto theft across BC in 2010 from 2009. Since 2003, when auto crime peaked in BC, our combined efforts, including changes in vehicle design such as anti-theft devices, have contributed to a 64% claims reduction across the province, as shown in the preceding chart. The reduction in auto crime partially offsets claims cost pressures related to inflationary increases.

We actively pursued our Zero Tolerance for Fraud policy, which protects customers from adverse impacts on premiums when fraud occurs. A Special Investigation Unit manages programs that prevent, detect and investigate fraud in all aspects of our business.

operating costs

Operating costs are costs (compensation and operating costs) required to operate the insurance and non-insurance businesses with the exception of claims payments, commissions and premium taxes. 2010 is the inaugural year for the Transformation Program (TP) and those related costs are now included as part of operating costs.

operating costs
($ millions)



source: ICBC financial systems

Included in total operating costs are non-insurance costs of $82 million, which consist of costs for administering driver licensing, vehicle registration and licensing, and government fines collection. Non-insurance costs are funded from Basic insurance premiums.

We continued to focus on prudently managing our total 2010 operating costs. General operating costs, excluding the Transformation Program, of $577 million were 1.4% higher than 2009 due to inflationary trends. 2010 was the first year for the Transformation Program, incurring $35 million of expenses.

acquisition costs

Acquisition costs represent the amounts paid to brokers for the sale of our insurance products, and for administering driver and vehicle licensing transactions. Acquisition costs also include premium taxes (4.4% of premiums) collected and paid to the provincial government. Premium acquisition costs were $42 million higher than 2009 primarily due to a higher write-down to DPAC and more commissions resulting from higher premiums earned and increased commission rates. Consistent with the recognition of premium revenue earned over the duration of the policy, commissions and premium taxes are expensed on a similar basis. At year end, the unexpended portion of these costs are deferred and reflected as DPAC in the amount of $171 million in note 12 of the accompanying Consolidated Financial Statements. DPAC is written down when future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums. Conversely, where there has been a previous write-down of DPAC, a positive adjustment is made when unearned premiums are expected to exceed future claims and related expenses.

investments

We have an investment portfolio with a carrying value of $11.6 billion which represents 88% of the company's total assets at the end of 2010.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims, unearned premiums, and retained earnings. We maintain a conservative investment portfolio which has a high degree of liquidity.

At December 31, 2010, 73% of the carrying value of the portfolio took the form of high-grade corporate and government bonds, money market, securities and mortgage instruments, while 27% of the portfolio was invested in equity and real estate investments.

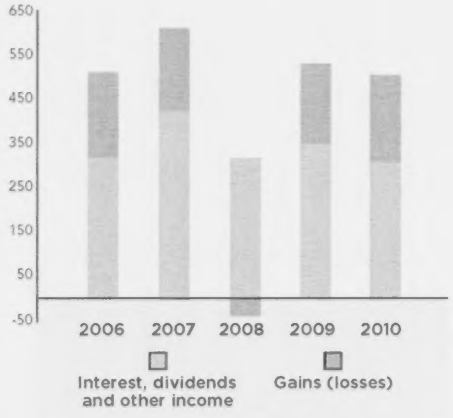
investment income

We continued to achieve strong investment income results since the recovery in the capital markets. In 2010, our investment income was $506 million — a decrease of $26 million from 2009.

This $26 million decrease was primarily due to a decline in bond gains as there were significant bond gains realized in 2009 and lower interest income as a result of declining interest rates. This decrease to investment income was partially offset by higher equity gains of $108 million as the equity markets continue to recover from the economic downturn experienced in 2008.

Overall, these results equate to an accounting investment return of 4.6% in 2010 compared to 5.1% in 2009, based on the average investment balance during the year on a cost basis. The accounting return is reflective of the slightly lower investment income in 2010 resulting in most part from lower interest rates on ICBC's fixed income portfolio as the average size of the investment portfolio remained consistent year over year.

investment income
($ millions)



source: ICBC financial systems

equity

Our equity includes retained earnings of $3.0 billion and accumulated other comprehensive income (AOCI) of $493 million as at December 31, 2010.

Retained earnings help to absorb significant unexpected increases in claims costs and volatility in the financial markets. We have a strong capital base enabling us to withstand adverse claims experience, unfavourable financial market situations like those experienced at the end of 2008, protect our policyholders and be able to continue to deliver low and stable insurance rates. Bonds and equities are measured at fair value on the Consolidated Statement of Financial Position, with changes in fair value (unrealized gains and losses) included in a component of equity called AOCI, which increased from $402 million at January 1, 2010 to $493 million at December 31, 2010. This increase primarily reflects the increase in unrealized equity gains as the equity markets continue to recover from the 2008 downturn.

Similar to the private insurance industry, the adequacy of equity or capital base is an important factor in assessing the financial stability of a company and is closely monitored by regulators.

The common industry method used to measure financial stability is MCT, a risk-based capital adequacy framework which assesses assets, policy liabilities, and other potential liabilities to determine appropriate capital levels. OSFI requires its regulated P&C insurers to meet MCT targets.

Although not regulated by OSFI, we have established management targets for MCT in excess of the regulatory targets to take into consideration relevant factors such as business risks and requirements, and the volatility inherent in the insurance business such as changes to claims costs and in the investment markets. We have set an internal management target level for MCT of a minimum of 170% of MCT for 2010. At December 31, 2010, our total corporate MCT level of 218% exceeds the internal management target.

For further information on the Basic insurance and Optional capital framework, please refer to notes 13 and 14 of the accompanying Consolidated Financial Statements.

capital expenditures

In 2010, we incurred $44 million in capital expenditures relating to technology enhancements and facilities upgrades. In order to deliver service to our customers, we have commenced the Transformation Program and have purchased off the shelf systems for claims management and commercial rating and underwriting.

basic and optional operations

We operate as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to our customers such as ease of service and savings achieved through economies of scale.

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the BCUC, is used to allocate costs between these two lines of business. We operate and manage the company on an integrated basis as well as report our financial and performance results in the annual report on an integrated basis. However, the more complex nature of the financial allocation methodology does not lend itself to a broader-based discussion of business impacts and trends. Further explanations and detailed financial information on our Basic and Optional lines of business are included in the 2010 Consolidated Financial Statements (note 16) included in this annual report. The following paragraph provides a high-level summary of impacts for both the Basic and Optional lines of business, while the balance of the annual report discusses results based on integrated operations.

The Basic insurance business generated net income of $49 million which was $126 million lower than 2009. Basic net income decreased from prior year due to higher injury claims costs, higher acquisition costs and lower investment income. The Basic insurance rate reduction of 2.4% effective November 2010 had minimal impact on 2010 results; the impact of this rate reduction will be more fully realized in the 2011 fiscal year. The Optional insurance business generated net income of $312 million in 2010. Optional net income decreased $75 million from prior year mainly due to higher injury claims costs, Transformation Program costs, which started in 2010 and the full impact of the 3.0% Optional rate decrease in October 2009 which was partially offset by increased sales of Optional insurance coverages. Optional insurance rates were also reduced in November 2010 by an average of 3.0% with minimal impact to 2010 results. Similar to the Basic rate reduction in November 2010, the full impact of the Optional rate reduction would be realized in the 2011 fiscal year.

operating subsidiaries

We do not have any active and operating subsidiary companies. All other holdings are nominee companies with no operations in their own right, and all financial information is included in our financial statements.

International Financial Reporting Standards (IFRS)

We, as a government business enterprise, are adopting IFRS effective January 1, 2011. We have assessed and implemented the required accounting policy changes under IFRS and our financial statements for the year ended December 31, 2011 and thereafter will be prepared in accordance with IFRS. Please see note 3 of the accompanying Consolidated Financial Statements for additional information on IFRS.

summary financial performance and forecast[1]

The table below provides an overview of ICBC's 2010 financial performance relative to its 2010 – 2012 Service Plan and a forecast of financial results for the next three years as set out in ICBC's 2011 – 2013 Service Plan. These results and forecasts form the basis upon which key performance targets are set. The financial forecasts take into account the estimated Optional capital amounts that will be transferable to the Government of British Columbia under the new framework.

($ millions)	2009 Actual	Prior Year Variance	2010 Actual	Plan Variance	2010 Plan	2011 Forecast	2012 Forecast	2013 Forecast
Total earned revenues	**3,709**	13	**3,722**	9	**3,713**	**3,741**	**3,834**	**3,933**
Net claims incurred[2]	2,650	(102)	2,752	6	2,758	2,816	2,905	3,021
Claims service and loss management	320	(3)	323	15	338	331	337	340
Insurance operations expenses	169	(3)	172	10	182	206	206	211
Transformation Program	Nil	(35)	35	21	56	35	42	66
Premium taxes and commissions[3]	435	(42)	477	(25)	452	471	476	489
Total expenses	**3,574**	(185)	**3,759**	27	**3,786**	**3,859**	**3,966**	**4,127**
Underwriting income / (loss)	**135**	(172)	**(37)**	36	**(73)**	**(118)**	**(132)**	**(194)**
Investment income	532	(26)	506	23	483	527	530	553
Income – insurance operations	**667**	(198)	**469**	59	**410**	**409**	**398**	**359**
Non-insurance operations expenses	80	(2)	82	–	82	93	94	96
Non-insurance commissions	24	(2)	26	(1)	25	26	27	28
Net income	**563**	(202)	**361**	58	**303**	**290**	**277**	**235**
Transfer of excess Optional capital to the Government of British Columbia	Nil		576		487	185	225	225
Long-term debt	Nil		Nil		Nil	Nil	Nil	Nil

[1] *The above financial information for 2009 Actual and 2010 Plan was prepared based on Canadian GAAP while Financial forecasts for years 2011 to 2013 was prepared based on IFRS.*

[2] *Claims incurred include prior years' claims adjustments.*

[3] *Premium taxes and commissions include DPAC adjustments.*

comparison of 2010 results to the plan

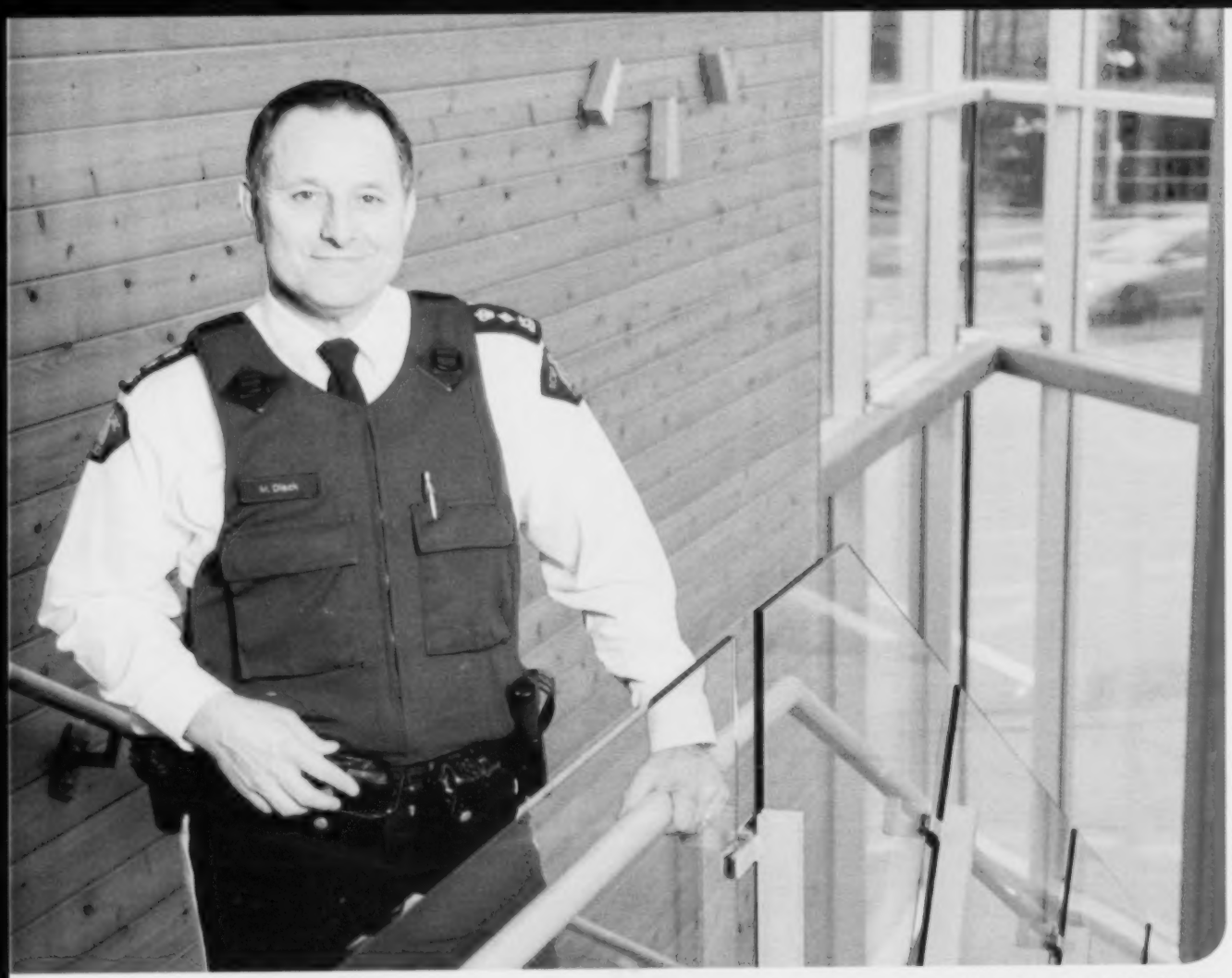
Our net income for 2010 was $361 million, which was $58 million higher than plan. Earned revenues improved by $9 million from 2010 plan mainly due to higher than expected number of policies sold in the year. Investment income was $23 million better than the plan due to increases in gains from the sale of bonds and equities offset by lower interest income.

Overall, net claims incurred costs were $6 million lower than plan. This was due to current year claims costs being higher than plan resulting from increased injury severity and higher number of injury claims partially offset with a lower number of material damage claims. The current year claims costs increase was offset by lower expected costs to settle outstanding prior years' claims combined with an unfavourable discounting adjustment due to lower interest rates.

Operating costs of $495 million, inclusive of claims service, road safety and loss management, and insurance operations expenses, were $25 million below plan, reflecting our continued commitment to the prudent management of costs. Transformation Program expenses of $35 million were also $21 million lower than plan mainly due to the timing of when program expenditures started. Premium taxes and commissions of $477 million were $25 million higher than the plan due to a negative adjustment to DPAC. This is associated with the decreased profitability of the Basic insurance business from higher expected future injury claims costs (see page 33 for further discussion of DPAC).

financial forecasts

Our financial forecasts take into consideration the business risks and risk mitigation strategies currently in place. The net income forecast for 2011 – 2013 reflects expected growth in premiums, a return to longer term claims cost trends, and investment income based on current investment market conditions. Capital expenditures primarily comprise Transformation Program costs and the ongoing renewal of information technology and facilities. The forecast also takes into account the estimated Optional capital amounts that are to be transferred to the Government of BC under the new legislative framework. More detailed information on ICBC's forecasts is provided in ICBC's 2011 – 2013 Service Plan.



Superintendent Mike Diack,
RCMP "E" Division Traffic Services

Working with police

Superintendent Mike Diack is pretty grateful to be keeping roads safe in British Columbia.

"I hear from all across Canada that we are the envy of Canada because of enhanced road safety, which is funded by ICBC. That is a model that doesn't exist anywhere and without them we would not have a traffic program in this province and our fatal crashes and injuries would be up significantly," says Mike.

Mike was the inspector in charge of the Integrated Municipal Provincial Auto Crime Team (IMPACT), which started the Bait Car program. Under his management, IMPACT focused on theft by drug addicts — the most common form of vehicle theft. The program was instrumental in turning around our province's growing auto theft problem. In spite of increases in population and vehicles, auto theft has decreased by 64% in BC since 2003 — partly because of the success of the Bait Car program.

Mike now leads the RCMP's "E" Division Traffic Services, which focuses on four key areas: impaired drivers, seat belt compliance, aggressive driving, and intersection violations. Over the past six years, their harm-reduction programs have contributed greatly to the reduction in the number of fatal and serious injury collisions in the province.

ICBC knows the RCMP and other police agencies are central partners in preventing crashes and auto crime. It's why support for enhanced traffic policing is such an integral part of our annual $46 million investment in road safety programs. Traffic and auto crime enforcement work seamlessly with a host of initiatives, including ICBC's road safety advertising campaigns, and community volunteer programs like Speed Watch and Lock Out Auto Crime.

management's responsibility for financial statements

Scope of Responsibility

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in conformity with Canadian generally accepted accounting principles. These consolidated financial statements include amounts that are based on management's estimates and judgements, particularly our reserves for unpaid claims. We believe that these statements present fairly ICBC's financial position, results of operations, and cash flows, and that the other information contained in the annual report is consistent with the consolidated financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

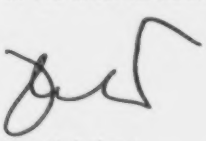
Board of Directors and Audit Committee

The Audit Committee, composed of members of the Board of Directors, oversees management's discharge of its financial reporting responsibilities. The Committee recommends for approval to the Board of Directors the appointment of the external auditors and the external actuaries, and fee arrangements. The Committee meets no less than quarterly with management, our internal auditors, and representatives of our external auditors to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgements. Both internal and external auditors have access to the Audit Committee without management's presence. The Audit Committee has reviewed these financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

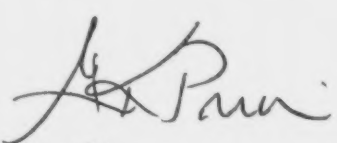
Independent Auditors and Actuary

Our independent auditors, PricewaterhouseCoopers LLP, have audited the financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of ICBC's policy liabilities which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. In performing the evaluation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries, and expenses taking into consideration the circumstances of ICBC and the insurance policies in force. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.



Jon Schubert
President and Chief Executive Officer
March 3, 2011



Geri Prior
Chief Financial Officer
March 3, 2011

independent auditors' report

Minister of Public Safety and Solicitor General
Minister Responsible for the Insurance Corporation of British Columbia
Province of British Columbia

We have audited the accompanying consolidated financial statements of the Insurance Corporation of British Columbia ("ICBC"), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, equity and cash flows for the year then ended, and related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ICBC as at December 31, 2010 and its results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

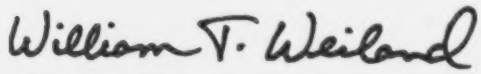
Chartered Accountants

Vancouver, British Columbia
March 3, 2011

actuary's report

I have valued the policy liabilities in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at December 31, 2010 and their changes in its consolidated statement of operations for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policy obligations, and the consolidated financial statements fairly present the results of the valuation.



William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
March 3, 2011

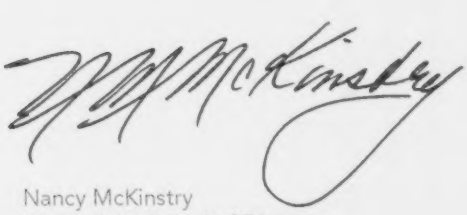
Consolidated Statement of Financial Position

As at December 31, 2010

($ THOUSANDS)	2010	2009
Assets		
Cash and investments (note 4)	$ 11,593,565	$ 11,129,061
Accrued interest	50,148	57,950
Amount recoverable from reinsurers (notes 5 & 8)	5,807	7,807
Premiums and other receivables (note 5)	1,010,331	1,022,530
Deferred premium acquisition costs and prepaid expenses (note 12)	184,298	207,104
Accrued pension benefits (note 10)	175,762	127,039
Property, equipment, and intangible assets (note 7)	122,246	92,108
	$ 13,142,157	$ 12,643,599
Liabilities and equity		
Liabilities		
Cheques outstanding	$ 57,896	$ 41,723
Accounts payable and accrued charges	221,904	240,353
Excess Optional capital payable to Province of BC (note 13)	275,712	–
Bond repurchase agreements and investment-related liabilities (note 4)	963,278	861,786
Accrued post-retirement benefits (note 10)	146,182	131,734
Premiums and fees received in advance	57,876	55,888
Unearned premiums	1,743,001	1,730,958
Provision for unpaid claims (note 8)	6,183,007	5,964,342
	9,648,856	9,026,784
Equity		
Retained earnings	3,000,436	3,214,655
Accumulated other comprehensive income	492,865	402,160
	3,493,301	3,616,815
	$ 13,142,157	$ 12,643,599
Contingent liabilities and commitments (note 15)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Nancy McKinstry
Chair of the Board of Directors

T. Michael Porter
Director

Consolidated Statement of Operations

For the year ended December 31, 2010

($ THOUSANDS)	2010	2009
Revenues		
Net premiums written		
Vehicle	$ 3,657,670	$ 3,649,874
Driver	21,697	17,271
	$ 3,679,367	$ 3,667,145
Net premiums earned		
Vehicle	$ 3,647,995	$ 3,633,560
Driver	19,329	16,465
	3,667,324	3,650,025
Service fees	54,628	58,807
Total earned revenues	3,721,952	3,708,832
Claims and operating costs		
Provision for claims occurring in the current year (note 8)	2,754,077	2,648,193
Prior years' claims adjustments (note 8)	(2,039)	2,355
Net claims incurred (note 8)	2,752,038	2,650,548
Claims services	262,400	263,243
Road safety and loss management services	59,790	56,334
	3,074,228	2,970,125
Operating costs – insurance (note 11)	206,993	169,158
Premium taxes and commissions (note 12)	477,195	434,824
	3,758,416	3,574,107
Underwriting (loss) income	(36,464)	134,725
Investment income (note 6)	506,051	532,477
Income – insurance operations	469,587	667,202
Non-insurance operations		
Provincial licences and fines (note 13)	531,253	517,314
Licences and fines transferable to the Province of BC (note 13)	531,253	517,314
Operating costs – non-insurance (note 11)	82,273	79,840
Commissions (note 12)	25,821	24,418
	639,347	621,572
Loss – non-insurance operations	(108,094)	(104,258)
Net income for the year	$ 361,493	$ 562,944

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Equity

For the year ended December 31, 2010

($ THOUSANDS)	2010	2009
Retained earnings (note 14)		
Balance, beginning of year	$ 3,214,655	$ 2,651,711
Excess Optional capital transfer to Province of BC (note 13)	(575,712)	–
Net income[1]	361,493	562,944
Balance, end of year	3,000,436	3,214,655
Accumulated other comprehensive income (note 6)		
Balance, beginning of year	402,160	99,671
Other comprehensive income		
Net change in unrealized gains on available for sale securities [1]	90,705	302,489
Balance, end of year	492,865	402,160
Total equity	$ 3,493,301	$ 3,616,815
[1] Comprehensive income (net income and net change in accumulated other comprehensive income)	$ 452,198	$ 865,433

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

($ THOUSANDS)	2010	2009
Cash flow from operating activities		
Cash received for:		
Vehicle premiums and others	$ 4,025,717	$ 3,990,492
Licence fees	502,580	484,517
Social service and harmonized sales taxes	112,356	98,365
	4,640,653	4,573,374
Collection for receivables, subrogation, and driver penalty point premiums	170,543	163,106
Salvage sales	58,786	51,958
Interest	301,009	341,368
Dividends and other investment income	34,777	36,104
Other	273	–
	5,206,041	5,165,910
Cash paid to:		
Claimants or third parties on behalf of claimants	(2,669,626)	(2,539,258)
Province of BC for licence fees, fines, and social service and harmonized sales taxes collected	(641,058)	(613,709)
Suppliers of goods and services	(232,012)	(209,617)
Employees for salaries and benefits	(447,964)	(408,689)
Agents for commissions	(311,009)	(304,042)
Policyholders for premium refunds	(321,731)	(316,015)
Province of BC for premium taxes	(163,722)	(162,964)
	(4,787,122)	(4,554,294)
Cash flow from operating activities	418,919	611,616
Cash flow used in investing activities		
Purchase of investments	(7,380,203)	(6,662,821)
Proceeds from sales of investments	7,253,020	5,900,468
Securities sold under repurchase agreements	34,546	12,142
Payments to vendors of property, equipment, and intangible assets	(44,607)	(19,175)
Proceeds from sale of property, equipment, and intangible assets	27	60
Cash flow used in investing activities	(137,217)	(769,326)
Cash flow used in financing activities		
Excess Optional capital transferred to Province of BC (note 13)	(300,000)	–
Cash flow used in financing activities	(300,000)	–
Decrease in cash and cash equivalents during the year	(18,298)	(157,710)
Cash and cash equivalents, beginning of year	(18,621)	139,089
Cash and cash equivalents, end of year	$ (36,919)	$ (18,621)
Represented by:		
Investments – cash and cash equivalents (note 4)	$ 20,977	$ 23,102
Cheques outstanding	(57,896)	(41,723)
	$ (36,919)	$ (18,621)

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

1. Purpose

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a Crown corporation, not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act*, R.S.B.C. 1996 Chapter 228. The Corporation operates and administers plans of universal compulsory automobile insurance and optional automobile insurance as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. As a result of amendments to the *Insurance Corporation Act* in 2003, the Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to universal compulsory automobile insurance rates and services (note 16).

Universal compulsory automobile insurance (Basic) includes the following coverage: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $150,000 for medical and rehabilitation expenses and up to $300 per week for wage loss, $1,000,000 underinsured motorist protection, and also protection against uninsured and unidentified motorists within and outside the Province of BC. The Corporation also offers insurance in a competitive environment (Optional), which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, and loss of use. The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of BC. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance; however, the Corporation currently only acts as a primary automobile insurer.

2. Summary of Significant Accounting Policies

Basis of reporting

The consolidated financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) as required by the *Budget Transparency and Accountability Act* (which supercedes the *Insurance Corporation Act* effective April 2010). The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiary companies and a variable interest entity (VIE). The Corporation also reports revenues and expenses attributable to Basic insurance and non-insurance separately from the other operations of the Corporation (note 16).

The following are the significant accounting policies adopted by the Corporation:

a) Basis of consolidation

The Corporation consolidates the financial statements of all subsidiary companies and a VIE where the Corporation is the primary beneficiary. The primary beneficiary is the entity that absorbs the majority of the expected losses, and/or is entitled to the majority of the expected residual returns of the VIE. All significant inter-company balances and transactions are eliminated upon consolidation.

b) Premiums earned

The Corporation recognizes vehicle premiums, net of reinsurance premiums, over the term of each vehicle policy written. The driver premiums are earned over the driver's penalty point year. Unearned premiums are the portion of premiums relating to the unexpired term, net of any premium refunds.

c) Service fees

Service fees on ICBC's Payment Plan are recognized monthly over the term of the policy. For six or twelve month term Autoplan policies, ICBC's Payment Plan enables customers to make monthly or quarterly payments.

d) Deferred premium acquisition costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies. An actuarial evaluation is performed to determine the amount allowable for deferral. The method in determining the deferred costs limits the amount of the deferral to the amount recoverable from unearned premiums derived from each of the Basic and Optional coverages, after giving consideration to the investment income, claims costs, and adjustment expenses expected to be incurred as the premiums are earned. A premium deficiency exists when future claims and related expenses are expected to exceed unearned premiums. Premium deficiencies are recognized first by writing down the deferred premium acquisition costs with any remaining premium deficiency recognized as a liability. The Corporation presents deferred premium acquisition costs and any premium deficiency reserves on a net corporate basis in the consolidated statement of financial position.

e) Provision for unpaid claims

The provision for unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claims expenses, and is gross of the recovery for reinsurance (note 2f). Claims liabilities are established according to accepted actuarial practice in Canada. They are carried on a discounted basis (note 8) and therefore reflect the time value of money, and include a provision for adverse deviations (PFAD).

To recognize the uncertainty in establishing best estimates, the Corporation includes a PFAD, consisting of two of the three elements, as set out in the Standards of Practice of the Canadian Institute of Actuaries: a claims development portion that reflects considerations relating to the Corporation's claims practices, the underlying data and the nature of the lines of business written and a portion for the investment return rate that reflects uncertainty in the investment portfolio yield, the investment climate in general and the rate at which claims are paid. The PFAD margins used are determined by evaluating the above considerations. The third element is a reinsurance recovery portion included in the discounted amount recoverable from reinsurers (note 2f).

The margin for claims development is a percentage of the unpaid claims gross of reinsurance, excluding the PFAD. The margin for investment return rate is a reduction from the expected rate of return per annum.

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. As with any insurance company, the provision for unpaid claims is an estimate subject to random volatility, which could be material in the near term. Variability can be caused by receipt of additional information, significant changes in the average cost or frequency of claims over time, the timing of claims payments, and future rates of investment return. All changes to the estimate are recorded as incurred claims and prior years' claims adjustments in the current period. Methods of estimation have been used which the Corporation believes produce reasonable results given current information.

The estimation of claims development involves assessing the future behaviour of claims, taking into consideration the consistency of the Corporation's claims handling procedures, the amount of information available, and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates will be. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The ultimate cost of long settlement liability claims is challenging to predict for several reasons, which include some claims not being reported until many years after a policy term, or changes in the legal environment, case law or legislative amendments. Provisions for such difficult to estimate liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns, current socio-economic trends and structured settlements provided in the form of consistent periodic payments as opposed to lump sum payments.

f) Reinsurance

The Corporation reflects reinsurance balances on the consolidated statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders, and on the consolidated statement of operations on a net basis to indicate the results of its retention of premiums written.

The amount of reinsurance recoverable from reinsurers is recorded as an asset on the consolidated statement of financial position. PFAD (note 2e) is included in the discounted amount recoverable from reinsurers consisting of a reinsurance recovery portion that reflects considerations relating to the ceded claims ratio and potential collectability issues with reinsurers.

g) Investments and investment income

The Corporation designates its financial instruments as available for sale (AFS), held for trading (HFT) or loans and receivables (Loans). The Corporation's financial assets and liabilities, including any derivatives, are recorded on the consolidated statement of financial position at fair value on initial recognition and subsequently accounted for based on their classification as follows:

Available for Sale	Financial assets that are not classified as loans or held for trading are classified as AFS. The Corporation has designated its cash and cash equivalents, money market securities, and its bond and equity portfolios, which comprise the majority of the Corporation's assets, as AFS. AFS financial assets are measured at fair value based upon available information. When neither an active market nor independent prices are available, the Corporation applies other valuation techniques to estimate fair value. Changes in the fair value of AFS securities are recorded in accumulated other comprehensive income (AOCI) in the consolidated statement of equity, until the financial asset is disposed of or becomes other than temporarily impaired, at which time the gain or loss will be recognized in the consolidated statement of operations.
Held for Trading	HFT financial assets are purchased for short-term investment objectives. The Corporation does not have any HFT financial assets. Financial assets and derivatives classified as HFT are carried at fair value on the consolidated statement of financial position with realized and unrealized gains and losses recognized in investment income.
Loans and Receivables	Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Mortgages not traded in an active market are classified as loans and carried at amortized cost using the effective interest rate method. Premiums and other receivables are classified as loans and receivables.

Real estate held for investment consists of income-producing properties, which are recorded at amortized cost.

Income on interest-bearing securities is accrued daily. Dividends on equity investments are recognized as income on their ex-dividend dates. Transaction costs are included in the initial carrying amount of the item with the exception of transaction costs related to assets classified as HFT, which are recognized in net income. For AFS financial assets that have fixed or determinable payments, the transaction costs are amortized to net income using the effective interest rate method. If the AFS financial assets do not have fixed or determinable payments, the transaction costs are recognized in net income when the assets are sold.

If an AFS investment suffers a loss in value that is other than temporary, the unrealized loss is reclassified from AOCI and recognized as a charge to earnings.

For investments, other than AFS, carried at cost that suffer a loss in value that is other than temporary, the difference between the cost and fair value is recognized as a charge to earnings.

The Corporation also participates in the sale and repurchase of Government of Canada, Provincial and United States Treasury bonds which are sold and simultaneously agreed to be repurchased at a future date with the market repurchase rate determining the forward contract price. These sale and repurchase arrangements are accounted for as financial liabilities. The difference between the sale price and the agreed repurchase price on a repurchase contract is recognized as expense.

h) Pensions and post-retirement benefits

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated based on services and management's best estimate of expected plan investment performance, compensation levels, retirement ages of employees and expected healthcare costs.

The expected return on plan assets is calculated using the expected long-term rate of return on plan assets and the fair value of the assets.

Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.

The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the expected average remaining service period of active employees.

The transitional asset, created when the Corporation adopted the recommendations of Canadian Institute of Chartered Accountants Handbook Section 3461, "Employee Future Benefits" in 2000, is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the benefit plan.

Certain employees, formerly of the Motor Vehicle Branch, belong to the BC Public Service Pension Plan. This is a multi-employer plan for which the Corporation applies defined contribution accounting.

i) Property, equipment, and intangible assets

Property, equipment and intangible assets are recorded at cost less accumulated amortization. Software development costs, which are comprised of labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for major infrastructure projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable.

Capitalized software that is an integral part of the operating system equipment is accounted for as equipment. Capitalized software that is not an integral part of the operating system equipment is accounted for as an intangible asset.

Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life at the following annual rates:

• Buildings	5 – 10%
• Furniture and equipment	10 – 33%
• Intangible assets	10 – 33%
• Leasehold improvements	Term of the lease

j) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Corporation considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty and money market securities with a term less than 90 days from the date of acquisition, net of outstanding cheques as equivalent to cash.

k) Translation of foreign currencies

Foreign currency investment transactions are translated at exchange rates at the date of sale or purchase. Foreign currency assets and liabilities considered as monetary items are translated at exchange rates in effect at the year-end date. Foreign currency revenues and expenses are translated at transaction date exchange rates. All realized exchange gains and losses, as well as unrealized exchange gains and losses on HFT assets and Loans, are included in the determination of net income. Unrealized exchange gains and losses on AFS assets are included in AOCI.

l) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The more subjective of such estimates and assumptions are provisions for unpaid claims and the related net claims incurred, provisions for doubtful accounts, impairment of investments, discount rate, accrued pension benefits, accrued post-retirement benefits, and deferred premium acquisition costs. Management believes its estimates and assumptions to be appropriate; however, actual results may be significantly different and would be reflected in future periods.

m) Fair value

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The estimated fair value of money market securities is cost. The estimated fair value for bonds and equities is based on quoted market values. The estimated fair value for mortgages is based upon the net present value of the payment stream using mortgage rates currently available. The estimated fair value of ICBC's real estate investments is based on independent appraisals made during the year, and when not available, on discounted cash flows using current market capitalization rates. Where an active market does not exist, and quoted bid prices are unavailable, fair values are determined using valuation techniques that refer to observable market data. Where observable market data is unavailable, the estimated fair value is the lower of cost or expected net realizable value.

The Corporation classifies financial instruments measured at fair value into one of three levels of a fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. Level 1 fair values are quoted prices in active markets for identical assets or liabilities, Level 2 fair values are based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, and Level 3 fair values are based on unobservable market data inputs for the asset or liability.

3. International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that, on January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises. The Public Sector Accounting Board has confirmed that government business enterprises, as self-sustaining commercial operations, shall adhere to the standards for publicly accountable enterprises. In addition, pursuant to a provincial Treasury Board directive in 2010, the Corporation is directed to consult with the Office of the Comptroller General of British Columbia, who will provide guidance to the Corporation prior to the adoption of accounting policy choices and elections related to applicable accounting standards or guidelines.

ICBC, as a government business enterprise and subject to complying with the Treasury Board directive above, is adopting IFRS effective January 1, 2011. The Corporation has implemented the required accounting policy changes under IFRS and the Corporation's financial statements for the year ended December 31, 2011 and thereafter will be prepared in accordance with IFRS.

4. Investments

a) Cash and investments

($ THOUSANDS)		2010	2009
	Classification	Carrying Value	Carrying Value
Cash and investments			
Cash and cash equivalents	AFS	$ 20,977	$ 23,102
Money market securities	AFS	113,524	166,479
Bonds			
Canadian			
Federal	AFS	2,910,303	3,011,822
Provincial	AFS	891,122	918,359
Municipal	AFS	–	9,905
Corporate	AFS	2,935,373	2,653,886
Total Canadian bonds		6,736,798	6,593,972
United States			
Federal	AFS	298,552	359,244
Corporate	AFS	273,671	183,953
Total United States bonds		572,223	543,197
Total bonds		7,309,021	7,137,169
Mortgages	Loans	993,489	904,517
Equities			
Canadian	AFS	1,544,133	1,487,514
United States	AFS	580,901	588,124
Europe, Australia, Far East	AFS	673,350	550,651
Total equities		2,798,384	2,626,289
Real estate	Other	358,170	271,505
Total cash and investments		$ 11,593,565	$ 11,129,061

The carrying value of investments for 2010 approximates their fair value except for real estate that has an estimated net fair value of $451.1 million (2009 – $340.4 million), and mortgages that have an estimated fair value of $1,024.4 million (2009 – $921.5 million).

($ THOUSANDS)	2010	2009
Bond repurchase agreements and investment-related liabilities		
Bond repurchase agreements	$ 879,553	$ 861,786
Investment-related liabilities[1]	83,725	–
	$ 963,278	$ 861,786

[1] *investment-related liabilities relate to a VIE, which is a pooled equity fund with total assets of $181.4 million as at December 31, 2010.*

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value in the consolidated statement of financial position. There were no movements between Level 1 and Level 2 during the year.

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
Description	Fair Value Dec 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 20,977	$ –	$ 20,977	$ –
Money market securities	113,524	–	113,524	–
Bonds	7,309,021	–	7,307,368	1,653
Equities	2,798,384	2,797,564	–	820
Total financial assets	$ 10,241,906	$ 2,797,564	$ 7,441,869	$ 2,473
Bond repurchase agreements	$ 879,553	$ –	$ 879,553	$ –
Total financial liabilities	$ 879,553	$ –	$ 879,553	$ –

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
Description	Fair Value Dec 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 23,102	$ –	$ 23,102	$ –
Money market securities	166,479	–	166,479	–
Bonds	7,137,169	–	7,127,774	9,395
Equities	2,626,289	2,625,469	–	820
Total financial assets	$ 9,953,039	$ 2,625,469	$ 7,317,355	$ 10,215
Bond repurchase agreements	$ 861,786	$ –	$ 861,786	$ –
Total financial liabilities	$ 861,786	$ –	$ 861,786	$ –

The following table shows the movements of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3):

($ THOUSANDS)	Fair Value Measurements using Level 3 Inputs	
	Bonds	Equities
Balance as at December 31, 2008	$ 31,526	$ 3,812
Total gains (losses)		
- in net income	5	424
- in other comprehensive income	(2,496)	(982)
Settlements for investments sold	(35,961)	–
Purchases	29,873	–
Transfers to Level 2 hierarchy	(13,552)	–
Other than temporary impairment	–	(2,434)
Balance as at December 31, 2009	$ 9,395	$ 820
Total losses in net income	(3,175)	–
Settlements for investments sold	(4,567)	–
Balance as at December 31, 2010	$ 1,653	$ 820

b) Other financial assets

Other financial assets include accrued interest, amount recoverable from reinsurers, and premiums and other receivables. The fair values of other financial assets approximate their carrying values.

c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, and bond repurchase agreements. The fair values of these financial liabilities approximate their carrying values.

5. Financial Instruments Risk Management

As a provider of automobile insurance products, effective risk management is fundamental in protecting earnings, cash flow, and ultimately shareholder value. The Corporation, through its financial assets and liabilities, is exposed to various types of risks. The following outlines the Corporation's financial risks and related exposures:

a) Equity price risk

General economic conditions, political conditions and other factors affect the equity market, thereby also affecting the fair value of the securities held by the Corporation. Fluctuations in the value of equity securities impact the recognition of unrealized gains and losses on securities held. At December 31, 2010, the impact of a 10% change in equity prices, with all other variables held constant would result in an estimated corresponding change in AOCI approximately $272.0 million (2009 – $263.0 million).

The Corporation has policies in place to limit and monitor its exposure to individual issuers.

b) Interest rate risk

Fluctuation in interest rates will have a larger market value impact on instruments with a long duration compared with instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income portfolio. When interest rates increase or decrease, the market value of fixed income securities will decrease or increase respectively.

The Corporation has policies in place to limit and monitor its exposure to interest rate risk to allow for duration matching of claim liabilities to bond assets.

The carrying values reported in the consolidated statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, and bond repurchase agreements approximate their fair values and are not significantly impacted by fluctuations in interest rates.

In 2010 and 2009, the Corporation did not use derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2010		2009	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	2.3	2.5	2.7	2.6
Provincial	2.9	3.1	3.6	3.1
Municipal	–	–	3.7	3.3
Corporate	4.0	2.1	4.4	2.3
United States				
Federal	1.8	2.7	1.9	2.5
Corporate	2.9	2.4	3.8	2.7
Total bonds	3.0	2.4	3.4	2.6
Mortgages	5.5	2.8	5.6	2.5
Total bonds and mortgages	3.3	2.4	3.7	2.5

As at December 31, 2010, a 100 basis point change in interest rates would result in a corresponding change of approximately $202.0 million (2009 – $204.0 million) in the fair value of the Corporation's fixed income portfolio and a corresponding impact of approximately $202.0 million (2009 – $204.0 million) on AOCI. Interest rate changes would also result in an offsetting change to the provision for unpaid claims and the corresponding claims costs.

Service fees earned on the ICBC Payment Plan are also impacted by changes in the interest rate. A change in the Bank of Canada average prime rate of 100 basis points would result in an estimated corresponding change in income of approximately $10.8 million (2009 – $10.8 million).

c) Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to significant concentrations of credit risk include fixed income securities, accounts receivable, reinsurance receivables and recoverable, and structured settlements (note 15).

Fixed income securities

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade credit ratings. Credit risk in mortgages is addressed through a stringent underwriting process that incorporates an internal credit scoring mechanism, and all mortgages are subject to an independent review annually.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

The maximum credit risk exposure for fixed income securities equal their carrying amount of $5.1 billion (2009 – $4.7 billion).

The following table highlights the cash equivalents and money market securities, and bonds by credit quality according to the Dominion Bond Rating Service at December 31, 2010:

($ THOUSANDS)	2010 Carrying Value	2009 Carrying Value
Cash equivalents and money market securities		
R1 – HIGH	$ 113,524	$ 156,496
R1 – MID	–	9,983
	$ 113,524	$ 166,479
Bonds		
AAA	$ 3,792,861	$ 3,878,051
AA	1,247,276	1,511,123
A	1,723,513	1,415,085
BBB	545,371	323,580
Not rated	–	9,330
	$ 7,309,021	$ 7,137,169

Accounts receivable

The Corporation has a diverse customer base as it provides basic insurance to all drivers in British Columbia. While there is no significant concentration of credit risk, the Corporation's accounts receivable can be comprised of customers with varying financial conditions. Subrogation recoveries and recoveries from customers in respect of violation of their policies are fully provided for due to the uncertainty of collection. The credit risk for premium receivables is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. The maximum credit risk for all other receivables equals their carrying amount.

As at December 31, 2010, the Corporation considered $33.8 million (2009 – $34.9 million) of its accounts receivables to be uncollectible and have provided for them. The following table outlines the aging of these accounts receivables as at December 31, 2010:

($ THOUSANDS)	Current	Past Due 1 - 30 days	Past Due 31 - 60 days	Over 60 days	Total
2010					
Premiums and other receivables	$ 989,106	$ 7,944	$ 228	$ 46,892	$ 1,044,170
Provision on accounts receivables	(839)	(436)	(138)	(32,426)	(33,839)
	$ 988,267	$ 7,508	$ 90	$ 14,466	$ 1,010,331
2009					
Premiums and other receivables	$ 1,013,716	$ 4,160	$ 767	$ 38,832	$ 1,057,475
Provision on accounts receivables	(423)	(406)	(470)	(33,646)	(34,945)
	$ 1,013,293	$ 3,754	$ 297	$ 5,186	$ 1,022,530

Reinsurance receivables and recoverable

Failure of reinsurers to honour their obligations could result in losses to the Corporation. The maximum credit risk exposure equals the carrying amount of $5.8 million (2009 – $7.8 million). The Corporation has policies which require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 15% of the total reinsurers' share of the provision for unpaid claims and adjusting expenses in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers has been considered impaired at December 31, 2010.

d) Liquidity risk

A significant business risk of the insurance industry is the ability to match the cash inflows of premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, and may take considerable time to determine precisely, and may be paid in partial payments.

The Corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio.

To meet the cash requirements for claims and operating expenses, the Corporation has policies to limit and monitor its exposure to individual issuers or related groups and to ensure that assets and liabilities are broadly matched in terms of their duration.

Liquidity risk is further controlled by holding Government bonds and other highly liquid investments. Bond repurchase agreements are accounted for as financial liabilities and are considered to be short term in nature. The following table summarizes the maturity profile as at December 31, 2010 of the Corporation's financial instruments by contractual maturity or expected cash flow dates:

($ THOUSANDS)

	Within One Year	One Year to Five Years	After Five Years	Total
2010				
Bonds				
Canadian				
Federal	$ –	$ 2,810,280	$ 100,023	$ 2,910,303
Provincial	–	845,318	45,804	891,122
Corporate	771,009	2,104,796	59,568	2,935,373
United States				
Federal	–	298,552	–	298,552
Corporate	15,004	255,869	2,798	273,671
Total bonds	786,013	6,314,815	208,193	7,309,021
Mortgages	158,130	713,579	121,780	993,489
	$ 944,143	$ 7,028,394	$ 329,973	$ 8,302,510
2009				
Bonds				
Canadian				
Federal	$ –	$ 3,011,822	$ –	$ 3,011,822
Provincial	–	912,586	5,773	918,359
Municipal	–	9,905	–	9,905
Corporate	568,209	2,059,977	25,700	2,653,886
United States				
Federal	–	359,244	–	359,244
Corporate	14,109	165,402	4,442	183,953
Total bonds	582,318	6,518,936	35,915	7,137,169
Mortgages	117,225	672,695	114,597	904,517
	$ 699,543	$ 7,191,631	$ 150,512	$ 8,041,686

e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk on its cash and cash equivalents, its international equity portfolio and its fixed income portfolios.

A 10% change in the United States exchange rate at December 31, 2010 would change the fair value of these investments and a corresponding change in AOCI of approximately $115.0 million (2009 – $113.0 million). As all other foreign currency investments comprise five per cent or less of the total investment portfolio in both 2010 and 2009, the impact of a change in the exchange rate of these currencies is not expected to have a material impact on the portfolio.

The Corporation has policies in place to limit and monitor its exposure to currency risks. These policies include the maintenance of United States dollar denominated assets to generate cash flows to satisfy United States dollar ongoing operational cash flow requirements.

6. Investment Income

($ THOUSANDS)		2010	2009
	Classification		
Interest			
Money market	AFS	$ 1,032	$ 4,987
Bonds	AFS	215,172	247,755
Mortgages	Loans	53,217	47,973
		269,421	300,715
Gains on the sale of investments			
Equities	AFS	143,657	35,889
Bonds	AFS	55,848	146,427
		199,505	182,316
Dividends and other income (expenses)			
Equities	AFS	66,661	67,786
Real estate	Other	20,829	12,413
Investment management fees	Other	(8,582)	(9,135)
Other than temporary impairment	AFS	(36,762)	(14,876)
Other	Other	(5,021)	(6,742)
		37,125	49,446
Total investment income		$ 506,051	$ 532,477

($ THOUSANDS)	2010	2009
Accumulated other comprehensive income		
Balance, beginning of year	$ 402,160	$ 99,671
Unrealized gains	290,210	484,805
Realized gains	(199,505)	(182,316)
Balance, end of year	$ 492,865	$ 402,160

During the year, the Corporation recognized an other than temporary impairment on its investment assets. The impairment loss decreased investment income by $36.8 million (2009 – $14.9 million).

The Corporation participates in a securities lending program managed by a federally regulated financial institution whereby it lends securities it owns to other financial institutions to allow them to meet delivery commitments. The Corporation receives securities of equal or superior credit quality as collateral for securities loaned and records commission on transactions as earned. At December 31, 2010, there were $295.4 million of securities loaned (2009 – nil), and $310.0 million received as collateral (2009 – nil).

7. Property, Equipment, and Intangible Assets

($ THOUSANDS)	2010		2009	
	Cost	Net Book Value	Cost	Net Book Value
Land	$ 33,526	$ 33,526	$ 32,943	$ 32,943
Buildings	158,251	34,700	151,538	31,188
Furniture and equipment	118,964	29,443	102,496	20,554
Intangible assets[1]	59,001	21,321	40,656	5,645
Leasehold improvements	12,556	3,256	10,567	1,778
	$ 382,298	$ 122,246	$ 338,200	$ 92,108

[1] *includes software that is not an integral part of the operating system*

The balances in property, equipment, and intangible assets include $29.6 million (2009 – $9.2 million) in assets under construction. Amortization expense for all other assets for the year ended December 31, 2010 amounted to $14.2 million (2009 – $14.7 million).

During 2010, included in property, equipment, and intangible assets are $13.2 million ($11.1 million for intangible assets, $1.0 million for furniture and equipment and $1.1 million for leasehold improvements) of costs capitalized for the Transformation Program (note 14).

8. Provision for Unpaid Claims

The changes in the provision for unpaid claims recorded in the consolidated statement of financial position and their impact on claims incurred for the year are as follows:

($ THOUSANDS)	2010	2009
Unpaid claims net — beginning of year	$ 5,956,535	$ 5,711,912
Change in estimates for losses occurring in prior years		
Prior years' claims adjustments	(63,418)	(54,679)
Prior years' changes in discounting provision	61,379	57,034
	(2,039)	2,355
Provision for claims occurring in the current year	2,754,077	2,648,193
Net claims incurred	2,752,038	2,650,548
Less:		
Net payments on claims incurred in the current year	943,053	933,585
Net payments on claims incurred in prior years	1,588,320	1,472,340
	2,531,373	2,405,925
Unpaid claims net — end of year	6,177,200	5,956,535
Amount recoverable from reinsurers	5,807	7,807
Unpaid claims gross — end of year	$ 6,183,007	$ 5,964,342

The Corporation discounts its provision for unpaid claims at an investment rate of return of 4.46% (2009 – 4.64%). The Corporation determines the discount rate based upon the expected return on its investment portfolio of assets and uses assumptions for interest rates relating to reinvestment of maturing investments. Included in the prior years' changes in the discounting provision, is $26.0 million resulting from the decrease in the investment rate of return from 4.64% at December 2009 to 4.46% at December 2010.

The following table shows the effect of discounting on the provision for unpaid claims:

($ THOUSANDS)	Undiscounted	Effect of Present Value	PFADs	Discounted
2010				
Provision for unpaid claims	$ 6,118,109	$ (631,500)	$ 690,591	$ 6,177,200
Amount recoverable from reinsurers	5,758	(535)	584	5,807
	$ 6,123,867	$ (632,035)	$ 691,175	$ 6,183,007
2009				
Provision for unpaid claims	$ 5,945,600	$ (646,035)	$ 656,970	$ 5,956,535
Amount recoverable from reinsurers	7,895	(969)	881	7,807
	$ 5,953,495	$ (647,004)	$ 657,851	$ 5,964,342

9. Reinsurance

The Corporation maintains casualty and catastrophe reinsurance to protect against significant losses.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2010 as follows:

a) for catastrophic occurrences, portions of losses up to $225.0 million in excess of $25.0 million; and

b) for individual casualty loss occurrences, portions of losses up to $45.0 million in excess of $5.0 million.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2009 as follows:

a) for catastrophic occurrences, portions of losses up to $225.0 million in excess of $25.0 million; and

b) for individual casualty loss occurrences, portions of losses up to $45.0 million in excess of $5.0 million.

These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

10. Pension Plans and Post-Retirement Benefits

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). In addition, it sponsors two supplemental pension plans for certain employees.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sponsor. Current and former employees of the Corporation who are or were members of the Canadian Office & Professional Employees Union (COPE) Local 378 are members of the COPE 378 / ICBC Pension Plan (the COPE Plan). The COPE Plan is a jointly trusteed plan. Trustees of the plan are appointed by each of the Corporation and COPE Local 378.

Certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of a separate plan, the BC Public Service Pension Plan. This is a multi-employer plan for which the Corporation applies defined contribution accounting.

The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. The Corporation has no fiduciary responsibility for, or role in the governance of, the COPE Plan or the BC Public Service Pension Plan.

The Corporation pays Medical Services Plan, life insurance premiums, extended healthcare and dental costs as post-retirement benefits for its retirees. Benefit entitlements differ for management and confidential, and bargaining unit staff.

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of its unfunded pension and post-retirement benefits were $53.7 million (2009 – $32.8 million).

The Corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The Management and Confidential Plan had an actuarial valuation as of December 31, 2009 which was extrapolated to December 31, 2010. The next expected valuation date is December 31, 2012. The COPE Plan had an actuarial valuation as of December 31, 2008 which was extrapolated to December 31, 2010. The next expected valuation date is December 31, 2011. The post-retirement benefits had an actuarial valuation as of December 31, 2009 which was extrapolated to December 31, 2010.

Information regarding the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2010	2009	2010	2009
Plan assets				
Fair value at beginning of year	$ 1,033,026	$ 896,362	$ –	$ –
Actual return on plan assets	107,619	114,235	–	–
Employer contributions	49,432	28,680	3,285	3,109
Employees' contributions	22,088	20,260	–	–
Benefits paid	(32,973)	(26,511)	(3,285)	(3,109)
Fair value at end of year	$ 1,179,192	$ 1,033,026	$ –	$ –
Accrued benefit obligation[1]				
Balance at beginning of year	$ 939,300	$ 754,464	$ 159,331	$ 106,504
Current service cost	22,142	12,348	6,066	3,759
Employees' contributions	22,088	20,260	–	–
Interest cost	64,108	57,028	10,812	8,023
Actuarial losses	162,970	121,387	23,938	44,154
Plan adjustments	–	324	–	–
Benefits paid	(32,973)	(26,511)	(3,285)	(3,109)
Balance at end of year	$ 1,177,635	$ 939,300	$ 196,862	$ 159,331
Funded status – plan surplus (deficit)	$ 1,557	$ 93,726	$ (196,862)	$ (159,331)
Unamortized net actuarial losses	203,852	71,913	51,484	28,602
Unamortized plan adjustments	292	324	(804)	(1,005)
Unamortized transitional asset	(29,939)	(38,924)	–	–
Accrued benefit asset (liability)	$ 175,762	$ 127,039	$ (146,182)	$ (131,734)

[1] Estimated accrued benefit obligation – end of year with:

1% increase in healthcare trend rate	$ 220,000	$ 178,464
1% decrease in healthcare trend rate	$ 176,460	$ 142,897

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2010	2009
Cash and accrued interest	–	1%
Equities		
Canadian	41%	37%
Foreign	19%	24%
Fixed income		
Government	26%	23%
Corporate	7%	8%
Mortgages	7%	7%
	100%	100%

The following amounts are included in the accrued benefit obligation in respect of plans that are not funded:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2010	2009	2010	2009
Accrued benefit obligation and plan deficit	$ 12,822	$ 10,228	$ 196,862	$ 159,331

The Corporation's net benefit plan expense for the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2010	2009	2010	2009
Current service cost	$ 22,142[1]	$ 12,348[1]	$ 6,066	$ 3,759
Interest cost	64,108	57,028	10,812	8,023
Expected return on plan assets	(78,465)	(59,576)	–	–
Amortization of transitional asset	(8,985)	(8,985)	–	–
Plan adjustments	32	–	(201)	(201)
Amortization of net actuarial losses (gains)	1,877	1,341	1,056	(446)
Net expense	$ 709	$ 2,156	$ 17,733	$ 11,135
Estimated net expense with:				
1% increase in healthcare trend rate			$ 21,473	$ 12,357
1% decrease in healthcare trend rate			$ 14,722	$ 9,748

[1] *net of employees' contributions of $22,088 (2009 – $20,260)*

The Corporation contributed $1.0 million in 2010 (2009 – $1.0 million) to the BC Public Service Pension Plan.

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension Plans		Post-Retirement Benefits	
	2010	2009	2010	2009
Discount rate	5.61%	6.61%	5.61%	6.61%
Expected long-term rate of return on plan assets	7.5%	7.5%	n/a	n/a
Rate of compensation increase	3.8%	3.8%	3.8%	3.8%
Inflation rate	2.5%	2.5%	2.5%	2.5%

In 2010, the Medical Services Plan trend rate is assumed to be six per cent per annum for the first nine years, decreasing to three per cent per annum thereafter. In 2009, the Medical Services Plan trend rate was assumed to be six per cent per annum for the first 10 years, decreasing to three per cent per annum thereafter.

In 2010, the extended healthcare trend rate is assumed to be eight per cent per annum for the first two years, decreasing linearly over eight years to five per cent per annum thereafter. In 2009, the extended healthcare trend rate was assumed to be ten per cent per annum for the first three years, decreasing linearly over eight years to six per cent per annum thereafter.

11. Operating Costs

The Corporation's activities include insurance and non-insurance operations as described in note 1. Details of the expenses are as follows:

($ THOUSANDS)	2010	2009
Operating costs – insurance		
Administrative and other expenses	$ 116,730	$ 106,053
Insurance services	55,488	63,105
Transformation Program costs (note 14)	34,775	–
	$ 206,993	$ 169,158
Operating costs – non-insurance		
Administrative and other expenses	$ 31,320	$ 33,370
Driver licensing	50,953	46,470
	$ 82,273	$ 79,840

12. Deferred Premium Acquisition Costs and Prepaid Expenses

($ THOUSANDS)	2010	2009
Deferred premium acquisition costs	$ 170,800	$ 199,100
Prepaid expenses	13,498	8,004
	$ 184,298	$ 207,104

As at December 31, 2010, there were premium acquisition costs of $210.6 million (2009 – $207.7 million) related to future periods. An actuarial valuation determined that $170.8 million (2009 – $199.1 million) of this amount is allowable for deferral. The allowable amount for deferral is comprised as follows:

($ THOUSANDS)	2010	2009
Optional	$ 135,400	$ 134,800
Basic	35,400	64,300
	$ 170,800	$ 199,100

The commission and premium tax expenses reflected in the consolidated statement of operations are as follows:

($ THOUSANDS)

	Commissions	Premium Taxes	Total
2010			
Amount payable	$ 309,698	$ 165,018	$ 474,716
Amortization of prior year deferred premium acquisition costs	126,092	73,008	199,100
Deferred premium acquisition costs	(108,596)	(62,204)	(170,800)
Premium taxes and commission expense	$ 327,194	$ 175,822	$ 503,016
Represented as:			
Insurance	$ 301,373	$ 175,822	$ 477,195
Non-insurance	25,821	–	25,821
	$ 327,194	$ 175,822	$ 503,016
2009			
Amount payable	$ 298,962	$ 162,580	$ 461,542
Amortization of prior year deferred premium acquisition costs	123,548	73,252	196,800
Deferred premium acquisition costs	(126,092)	(73,008)	(199,100)
Premium taxes and commission expense	$ 296,418	$ 162,824	$ 459,242
Represented as:			
Insurance	$ 272,000	$ 162,824	$ 434,824
Non-insurance	24,418	–	24,418
	$ 296,418	$ 162,824	$ 459,242

13. Related Party Transactions

All transactions with the Province of BC ministries, agencies and Crown corporations occurred in the normal course of providing insurance, registration and licensing for motor vehicles and are valued at the exchange amount, which is representative of fair value unless otherwise disclosed in these notes.

The Corporation acts as agent for the Ministry of Finance regarding the collection of social service taxes and tax on designated property on privately sold used vehicles and motor vehicle related debts, and the collection of the provincial portion of harmonized sales tax on imported vehicles.

The Corporation is responsible for collecting all vehicle-related income for acquiring and distributing licence plates and decals including permit and other fees under the *Motor Vehicle Act* and fines under the *Offence Act* and these are remitted in full to the Province of BC. Income from the issuance of drivers and other licences and permits and from fines is recognized on an accrual basis. The costs associated with the licensing and compliance activities conducted on behalf of the Province of BC are borne by the Corporation and are included in the consolidated statement of operations as operating costs – non-insurance (note 11).

During the year the Corporation transferred $300.0 million of excess Optional capital to the Province of BC (note 14). At December 31, 2010, $275.7 million was accrued as a payable to the Province of BC. There were no amounts transferred or accrued in 2009. Other related party transactions have been disclosed elsewhere in the notes to the consolidated financial statements.

14. Capital Management

The Corporation's capital is comprised of retained earnings and AOCI. The Corporation's objectives for managing capital are to maintain financial strength including the management of ongoing business risks and protect its ability to meet the obligations owed to policyholders and others.

ICBC has set an internal corporate management target for the minimum capital test (MCT) as defined by the Office of the Superintendent of Financial Institutions (OSFI), of a minimum of 170.0% for 2010 (2009 – 180.0%). The MCT utilizes a risk-based formula to assess the solvency of an insurance company by defining the capital available that is required to meet the minimum standards. The Corporation was in compliance with internal management targets throughout 2010. As at December 31, 2010, the Corporation's MCT was 218.4% (2009 – 239.6%).

The corporate management target for MCT is comprised of two components being the Basic and Optional insurance business. For the Basic insurance business, the British Columbia Government's Special Direction IC2 requires the Corporation, through BCUC oversight, to maintain capital available equal to at least 100% of MCT.

For the Optional insurance business, the *Insurance Corporation Act* requires the Corporation to maintain a management target comprised of the supervisory target as set out in the MCT guideline, and the margin, calculated by the Corporation's actuary and validated by the independent actuary appointed by the Board of the Corporation, that reflects the Corporation's risk profile and its ability to respond to adverse events that arise from those risks, the MCT guideline, and the Guideline on Stress Testing issued by OSFI.

Any excess Optional capital at fiscal year-end, net of any deductions approved by the Treasury Board are to be transferred to the Province of BC by July 1 of the following year.

The Corporation has embarked on a business renewal program known as the Transformation Program to address key business issues, including increased customer expectations regarding products, service and price along with replacing aging technology systems. The Transformation Program includes multiple projects to collectively help the Corporation achieve its strategy and future objectives and up to $400.0 million is funded from Optional capital. The balance of the Transformation Program reserve, net of costs expensed, is a Treasury Board approved deduction from the excess Optional capital transfer and is as follows:

($ THOUSANDS)	2010	2009
Transformation Program Reserve		
Balance, beginning of year	$ –	$ –
Transfer from retained earnings (Optional capital)	400,000	–
Costs expensed during the year	(34,775)	–
Balance, end of year	$ 365,225	$ –

In addition to the Transformation Program costs expensed during the year, there were also $13.2 million of Transformation Program costs capitalized in property, equipment and intangible assets (note 7).

15. Contingent Liabilities and Commitments

a) Structured settlements

Certain injury claims are settled through the use of various structured settlements which require the Corporation to provide the claimant with periodic payments. The Corporation's injury claims are primarily settled through the use of Type 1 structured settlements.

The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the risk to the Corporation is mitigated as the claimant will continue to receive payments, up to certain limits, from a not-for-profit organization that is funded by the insurance industry and endorsed by the Federal Government. The Corporation is only responsible for making payments for the excess, if any, between the claimant's annuity payments and the payment from the not-for-profit organization. At present, four federally licensed life insurance companies are approved for use by the Corporation. The list of approved insurance companies is determined by an ongoing analysis of total assets, credit rating analysis, and past service history. The present value of these structured

settlements at December 31, 2010 is approximately $1.01 billion (2009 – $0.96 billion), which are not recorded in the financial statements of the Corporation. To date, the Corporation has not experienced any losses resulting from these arrangements.

b) Lease payments

The Corporation has entered into operating leases of certain rental properties for varying terms. The annual rental payments pursuant to these leases over the next five years are as follows:

($ THOUSANDS)	
2011	$ 11,977
2012	10,280
2013	7,820
2014	5,432
2015	3,439
	$ 38,948

16. Rate Regulation

As discussed in note 1, the Corporation is subject to regulation by BCUC. BCUC has jurisdiction over the Corporation's rates and services for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business. In addition, BCUC sets rates for Basic insurance that allow it to achieve the regulated capital targets and is responsible for directing ICBC to achieve regulated targets for total Corporation and Optional insurance.

For the regulation of the Corporation's Basic insurance rates, BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory and not unduly preferential. BCUC is required to fix rates on the basis of accepted actuarial practice, to pay for certain specified costs, to ensure the Corporation maintains the required capital, to ensure rates are not based on age, gender or marital status, and to ensure increases or decreases in rates are phased in, in a stable and predictable manner.

BCUC requires the Corporation to follow the financial allocation methodology it has approved with respect to allocating costs between Basic and Optional insurance business, and non-insurance business.

BCUC initiates regulatory processes on its own initiative or upon application by the Corporation. It uses oral hearing, written hearing, or negotiated settlement processes to review applications and subsequently issue legally binding decisions.

The Corporation is required to incur a portion of BCUC's general operating expenses as well as its costs associated with each ICBC proceeding. BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

Allocation of Basic and Optional Amounts

The Corporation operates its business using an integrated business model. Although the majority of premium revenues and costs are specifically identifiable as Basic or Optional (note 1), certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic or Optional, a pro-rata method of allocation has been used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs to each line of business based on the drivers of those revenues and costs, the degree of causality and any BCUC directives. BCUC directives have been applied on a prospective basis.

Included in Basic are non-insurance costs, as the Corporation is required to provide non-insurance services such as driver and vehicle licensing and vehicle registration.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Net premiums written	$ 2,070,487	$ 2,071,259	$ 1,608,880	$ 1,595,886	$ 3,679,367	$ 3,667,145
Net premiums earned	$ 2,066,572	$ 2,061,254	$ 1,600,752	$ 1,588,771	$ 3,667,324	$ 3,650,025
Service fees	29,827	32,167	24,801	26,640	54,628	58,807
Total earned revenues	2,096,399	2,093,421	1,625,553	1,615,411	3,721,952	3,708,832
Claims and operating costs						
Net claims incurred during the year (note 8)	1,785,765	1,716,107	968,312	932,086	2,754,077	2,648,193
Prior years' claims adjustment (note 8)	(1,385)	1,575	(654)	780	(2,039)	2,355
Claim services, road safety and loss management services	214,184	212,334	108,006	107,243	322,190	319,577
	1,998,564	1,930,016	1,075,664	1,040,109	3,074,228	2,970,125
Operating costs – insurance (note 11)	86,918	83,408	120,075	85,750	206,993	169,158
Premium taxes and commissions (note 12)	171,203	140,140	305,992	294,684	477,195	434,824
	2,256,685	2,153,564	1,501,731	1,420,543	3,758,416	3,574,107
Underwriting income (loss)	(160,286)	(60,143)	123,822	194,868	(36,464)	134,725
Investment income (note 6)	317,603	339,875	188,448	192,602	506,051	532,477
Income – insurance operations	157,317	279,732	312,270	387,470	469,587	667,202
Loss – non-insurance operations	(108,094)	(104,258)	–	–	(108,094)	(104,258)
Net income for the year	$ 49,223	$ 175,474	$ 312,270	$ 387,470	$ 361,493	$ 562,944
Equity						
Retained earnings, beginning of year	$ 1,334,432	$ 1,158,958	$ 1,880,223	$ 1,492,753	$ 3,214,655	$ 2,651,711
Net income for the year	49,223	175,474	312,270	387,470	361,493	562,944
Excess Optional capital transfer to Province of BC (note 13 and 14)	–	–	(575,712)	–	(575,712)	–
Retained earnings, end of year	1,383,655	1,334,432	1,616,781	1,880,223	3,000,436	3,214,655
Accumulated other comprehensive income	319,391	262,464	173,474	139,696	492,865	402,160
Total equity	$ 1,703,046	$ 1,596,896	$ 1,790,255	$ 2,019,919	$ 3,493,301	$ 3,616,815

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2010	2009	2010	2009	2010	2009
Liabilities						
Unearned premiums	$ 973,119	$ 969,205	$ 769,882	$ 761,753	$ 1,743,001	$ 1,730,958
Provision for unpaid claims (note 8)	$ 4,578,991	$ 4,470,409	$ 1,604,016	$ 1,493,933	$ 6,183,007	$ 5,964,342

17. Role of the Actuary and Auditors

The responsibility of the Board appointed actuary is to carry out an annual valuation of the Corporation's policy liabilities which include provisions for claims and claims expenses, unearned premiums and deferred premium acquisition costs in accordance with accepted actuarial practice and regulatory requirements, and report thereon. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries, and expenses taking into consideration the circumstances of the Corporation and the insurance policies in force. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the Board of Directors. Their responsibility is to conduct an independent and objective audit of the consolidated financial statements in accordance with generally accepted auditing standards and report thereon. In carrying out their audit, the auditors also make use of the work of the actuary when considering the provision for claims and claims expenses, unearned premiums, and deferred premium acquisition costs. The auditors' report outlines the scope of their audit and their opinion.

Kaniz Dhirani, president, Ladybug Driving School

Working with our driver training schools

Kaniz Dhirani knows how to take a challenge and turn it into an opportunity. She started Ladybug Driving School six years ago after she couldn't find a female driving instructor for her daughter. The school specializes in teaching women how to drive defensively in a safe environment, and focuses on those who lack confidence due to ethnic backgrounds, language barriers or challenging circumstances.

"We have a lot of students who have international licences, and need direction on how to change their licence to a BC licence. ICBC has given us the knowledge to do that. A lot of our students are also multicultural and ICBC has translated the Road Sense for Drivers book into several different languages, which is very beneficial for our students," says Kaniz.

Driver training schools provide a valuable road safety education service to the public in BC. There are over 500 licensed private driver training businesses in BC and they employ over 2,000 qualified driver training instructors.

ICBC and the driver training industry hold a common vested interest in providing positive customer experiences and promoting road safety education. This mutual interest in safety and service to customers forms the foundation of our business relationship.

Our Driver Licensing division works with members of the industry to establish driver education and testing standards that focus on the knowledge, skills and attitudes essential to licensing safe drivers. It's supported by a range of interactions, which range from casual information sharing conversations to formal collaboration on major projects.

corporate governance

Governance defines the roles, relationships, powers and accountability among shareholders, the Board of Directors and management. Governance of a Crown corporation also requires that responsibility be clearly articulated for meeting public policy objectives.

ICBC's relationship to government

At the highest level, governance of a Crown corporation is defined through legislation applicable to all Crown corporations, such as the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, the *Financial Information Act*, and the *Freedom of Information and Protection of Privacy Act*. Under these provincial laws, ICBC is accountable for making public our strategic plan (i.e., Service Plan) and performance against the plan (i.e., Annual Report), as well as providing financial and other information as the legislation requires.

Individual Crown entities are governed by legislation specific to each Crown corporation. The specific legislation to which ICBC must adhere includes:

- the *Insurance Corporation Act*,
- the *Insurance (Vehicle) Act*,
- the *Motor Vehicle Act*,
- the *Motor Vehicle (All Terrain) Act*,
- the *Commercial Transport Act*,
- the *Social Service Tax Act*, and
- the *Offence Act*.

ICBC was created under the *Insurance Corporation Act*. This legislation was amended in 2003 to establish the BCUC as the independent regulator for Basic insurance rates. As ICBC is the sole provider of Basic insurance in BC, this regulatory environment is important, providing customers with an independent and transparent review of our Basic insurance operations and an opportunity to be involved in the review. The non-insurance services we provide on behalf of the provincial government are set out in a Service Agreement between ICBC and the Province and are funded by Basic insurance premiums.

Individual Crown entities are also governed by the Shareholder's Letter of Expectations established between each Crown corporation and the minister responsible. The Shareholder's Letter of Expectations is an agreement on the respective roles and responsibilities of the provincial government and the corporation. It outlines high-level performance and reporting expectations, public policy issues and strategic priorities, as well as providing direction specific to ICBC in several key areas.

As demonstrated through the results reported in ICBC's 2010 Annual Report, ICBC has complied with the performance expectations outlined in our 2010 Shareholder's Letter of Expectations. This includes the specific items outlined on the following page.

shareholder's letter of expectations	ICBC alignment
climate change	
• Contribute to the BC Provincial Government's climate action objectives and comply with requirement for Crown agencies to achieve carbon neutrality by 2010.	• ICBC established the 2007 baseline of the company's environmental footprint and implemented government's SMARTTOOL to track and report the company's greenhouse gas emissions. • ICBC has met the requirement to be carbon neutral by 2010. • ICBC continues to implement initiatives to reduce our carbon footprint, e.g. energy retrofits, switching to recycled paper, and building a LEED Gold Driver Licensing Centre. • ICBC's campaigns help drivers understand how good driving practices can reduce fuel costs, carbon emissions and improve road safety.
legislative framework	
• Comply with applicable legislation and regulations, including the Optional insurance framework under the *Insurance (Vehicle) Act*, and data-sharing provisions authorised by the Minister under that Act. • Comply with direction from the BCUC in its regulation of ICBC's Basic insurance rates.	• ICBC is in compliance with the Optional insurance framework and continues to support work on data-sharing provisions. • ICBC continues to comply with BCUC direction on Basic insurance rates.
service agreement	
• Operate within the Service Agreement between the Ministry of Public Safety and Solicitor General, on behalf of the Province, and ICBC.	• ICBC continues to operate within the terms and conditions of the Service Agreement and to work with the Shareholder on any changes.
insurance rates	
• Operate the business in an efficient and effective manner to keep rates low and stable. • Provide auto insurance rates that are not based on age, gender or marital status. • Develop and implement effective strategies to manage rising bodily injury insurance costs.	• ICBC operates in a fiscally responsible manner to help keep rates low and stable for the benefit of customers. • ICBC continues to provide insurance rates that are not based on age, gender or marital status. • ICBC continues to monitor, develop and implement effective strategies to manage rising bodily injury insurance costs.
business processes and systems	
• Continue reinvesting in critical business systems in support of efficiency and effectiveness. • Support and invest in the redevelopment of critical road safety business systems and processes on a timeline that accommodates the mutual priorities of government and ICBC.	• ICBC is implementing a major reinvestment program to address end-of-life systems and ensure ongoing customer-focused services. • ICBC supports investment in road safety business systems and processes on a timeline that accommodates mutual priorities.
road safety	
• Deliver road safety initiatives that provide claims savings and work with the shareholder on initiatives that can complement its road safety objectives. • Work with government and stakeholders on public education and awareness on road safety priorities. • Undertake systems and business process changes to support government's road safety priorities.	• ICBC continues to deliver a number of road safety programs that provide claims savings and is working with the provincial government on road safety initiatives. • ICBC works with government and stakeholders on road safety initiatives, and supports these initiatives through public education and awareness strategies. • ICBC, in accordance with the Service Agreement, undertakes changes needed to support road safety priorities.
government and administrative framework	
• Ensure that corporate priorities reflect government's goals. • Comply with the Shareholder's requirements for Crown corporations, including reporting and information-sharing, Board appointment processes, *Public Sector Employers Act* and related requirements, rules related to lobbyists, etc.	• ICBC continues to align corporate priorities with government's goal. • ICBC continues to comply with the Shareholder's guidelines and directions for Crown corporations.

shareholder's letter of expectations	ICBC alignment
other initiatives	
• Support the Province's Healthier Choices initiative. • Ensure the Shareholder is advised in advance of the release of information requests under the *Freedom of Information and Protection of Privacy Act*. • Comply with the international Payment Card (PCI) Data Security Standards. • Work with government on the new regulatory framework for off-road vehicles. • Increase promotion of the Enhanced Driver's Licence (EDL) Program. • Work with the Shareholder on an Optional insurance dividend policy.	• All vending machines in facilities owned or leased by ICBC, for which ICBC has governance of the vending machine, meet the Nutritional Guideline for Vending Machines in Public Buildings. • ICBC worked with the Shareholder on a process for *Freedom of Information and Protection of Privacy Act* requests that meets the Shareholder's needs and does not delay response times. • ICBC is fully compliant with the PCI Data Security Standards. • ICBC is working with the government to support government's policy objectives. • Revised capital management frameworks for Basic and Optional insurance were established by the Shareholder in 2010. ICBC is complying with these revised frameworks.

The 2011 Shareholder's Letter of Expectations is posted on our website at icbc.com. It continues ICBC's mandate to provide Basic and Optional auto insurance in an integrated manner with rates that are not based on age, gender or marital status, and to provide vehicle registration and licensing, driver licensing, violation ticket administration and government fine collection services on behalf of the provincial government. It also continues many of the expectations from the 2010 Shareholder's Letter of Expectations and, for 2011, includes new directions regarding complying with revised capital management frameworks for Basic and Optional insurance established by the Shareholder, and working with the Shareholder to prepare an annual plan for ICBC projects that support government initiatives.

ICBC board governance

The Board of Directors guides ICBC in fulfilling its mandate and sets our corporate direction. The Board and management approve our vision, mission, and values that guide us. The Board sets overall corporate strategy, our goal and the objectives and strategies upon which accountability and performance are evaluated. Performance is reviewed and reported regularly.

As a Crown corporation, ICBC's Board members are appointed by the Lieutenant Governor-in-Council. The Board of Directors consists of nine members with a broad range of expertise and experience. The individual members each play an important role and also contribute as members of committees of the Board. The chart on page 75 shows ICBC's Board of Directors and its committees, members and mandates.

The governance processes and guidelines outlining how the Board will carry out its duties of stewardship and accountability are set out in the Board Governance Manual, which is updated annually by the Governance Committee. ICBC's Board complies with the provincial government "Board Resourcing and Development Office Guidelines" and has adopted the guiding principles of the "Governance Framework for Crown Corporations: Best Practices Governance and Disclosure Guidelines". Additional information is available on our website at icbc.com.

ICBC's Board of Directors has adopted the guiding principles included in the provincial government "Governance Framework for Crown Corporations". These principles provide an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement

ICBC board of directors and executives

Neil de Gelder, Stacy Shields, T. Michael Porter, Jatinder Rai, Jeff Schulz

Sheila Eddin, Betty Weigel, Paul Haggis, Donnie Wing, Nancy McKinstry

Mark Blucher, Jon Schubert, Geri Prior, Len Posyniak, Catherine Aczel Boivie

Fred Hess, Craig Horton, Todd G. Stone, Ward Chapin, Cindy Brown

Jon Schubert, President & Chief Executive Officer
Mark Blucher, Senior Vice-President, Insurance
Cindy Brown, Vice-President, Communications
Ward Chapin, Chief Information Officer
Sheila Eddin, Vice-President, Business Transformation
Fred Hess, Vice-President, Driver Licensing
Craig Horton, Senior Vice-President, Claims
Len Posyniak, Vice-President, Human Resources
Geri Prior, Chief Financial Officer
Jeff Schulz, Vice-President, Strategic Marketing
Betty Weigel, Corporate Secretary
Donnie Wing, Senior Vice-President, Corporate Affairs

Board Members
Nancy McKinstry, Chair
Neil de Gelder, Vice-Chair
Catherine Aczel Boivie
Paul Haggis
T. Michael Porter
Jatinder Rai
Stacy Shields
Todd G. Stone

board governance structure

board of directors

mandate: To foster the corporation's short and long-term success consistent with the Board's responsibilities to the people of British Columbia as represented by the Government of British Columbia.

chair: Nancy McKinstry

vice-chair: Neil de Gelder

members: Catherine Aczel Boivie, Paul Haggis, T. Michael Porter, Jatinder Rai, Stacy Shields, Todd G. Stone

executive team

mandate: The primary role of the Executive Team is to lead the management of ICBC's business and affairs, and to lead the implementation of the plans and policies approved by the Board of Directors (Board) of ICBC.

president and CEO: Jon Schubert

members:

Mark Blucher, Senior Vice-President, Insurance

Cindy Brown, Vice-President, Communications

Ward Chapin, Chief Information Officer

Sheila Eddin, Vice-President, Business Transformation

Fred Hess, Vice-President, Driver Licensing

Craig Horton, Senior Vice-President, Claims

Len Posyniak, Vice-President, Human Resources

Geri Prior, Chief Financial Officer

Jeff Schulz, Vice-President, Strategic Marketing

Betty Weigel, Corporate Secretary

Donnie Wing, Senior Vice-President, Corporate Affairs

governance committee

purpose: To provide a focus on governance for ICBC and its subsidiaries that will enhance ICBC's performance.

chair: Neil de Gelder

members: Catherine Aczel Boivie, Jatinder Rai

audit committee

purpose: To assist the Board in fulfilling its oversight responsibilities by reviewing: (i) financial information; (ii) systems of internal controls and risk management; and (iii) all audit processes.

chair: T. Michael Porter

members: Paul Haggis, Stacy Shields

investment committee

purpose: To recommend and review investment policy for both ICBC and any pension fund of which ICBC is an administrator.

chair: Paul Haggis

members: Nancy McKinstry, Todd G. Stone

human resources and compensation committee

purpose: To assist the Board in fulfilling its obligations relating to human resource and compensation policies.

chair: Nancy McKinstry

members: Jatinder Rai, Stacy Shields

transformation program committee

purpose: To assist the Board in overseeing the management of ICBC's business renewal efforts.

chair: Neil de Gelder

members: Catherine Aczel Boivie, T. Michael Porter, Todd G. Stone

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Additional information about ICBC and electronic copies of this report are available at **icbc.com**

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